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No. 386

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22 September 1983

CHINA REPORT ECONOMIC AFFAIRS

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NATIONAL POLICY AND ISSUES

TRUTHFUL STATISTICS REPORTING MUST BE UPHELD

TONGJI Commentary

Beijing TONGJI STATISTICS in Chinese No. 6, 17 Jun 83 pp 20-21

Commentary: "Truthfulness in the Reporting of Statistics Must Be Upheld"

Text This issue has published a report on the resolute struggle of Comrades Liu Yanping (0491 5333 5493) and Li Naijian (2621 0035 6943) in upholding truthfulness in reporting statistics. The broad masses of statisticians in the whole country should learn from the advanced deeds of comrades Liu Yanping and Li Naijian.

It is a basic requirement in socialist statistical work in our country to maintain the truthful reporting of statistics. As early as 1952, Comrade Zhu De (4281 1795) had emphatically pointed out at the Second National Conference on Statistical Work that "all statisticians must adopt a serious, scientific attitude in undertaking statistical work. They must, at the same time, shoulder a supervisory role and refrain from working perfunctorily. Reporting statistics falsely is an offense against the country and the people." Item No 7 of "Tentative Guidelines for Statistical Work" adopted in the 127th Plenary Session of the State Council on 16 March 1963 stipulates that "the various party organizations and the various departments and units should strengthen their leadership over statistical work and ensure that the statistical departments strictly uphold the statistical system set up by the state, reflect the conditions truthfully and carry out statistical work smoothly. We should commend and support statisticians who struggle against false reporting and implement the statistical system in an exemplary way, and should, according to the circumstances, educate, criticize or penalize statisticians who report falsely, conceal material information, fail to report or delay in reporting statistical figures and unscrupulously issue statistical reports." On 20 October 1979, the State Council once again stated in "Resolution on Reinforcement of Statistical Work and the Statistical Organization" that "it is necessary to commend and reward statisticians who resolutely seek truth from facts and are bold in fighting against fraud. It is necessary to criticize and penalize statisticians who report falsely or conceal statistical figures according to the circumstances. It is necessary to find out who is legally responsible for hindering statisticians from performing their duties or for attacking and avenging themselves on these statisticians."

Since the 3d Plenary Session of the 11th Central Committee, the various regions, departments and units have, on the whole, seriously implemented the statistical system and guaranteed the truthfulness of statistical figures in accordance with the relevant regulations of the State Council. Consequently, the statistical figures in our country are accurate or basically accurate at present and can be used as the basis for drawing up policies and plans and investigating how these policies and plans are implemented. However, it cannot be denied that some leading comrades in a few units have neglected the rules of the party and laws of the state and indiscriminately falsified statistical figures because of their local interests. Although the deeds of these people do not affect the overall situation of truthful statistical figures in our country, they have undermined the importance of statistical work and this merits our attention.

What should we do regarding this? The best method is to resolutely resist and struggle against it just like comrades Liu Yanping and Li Naijian. Upholding the truthfulness of statistical figures is a basic quality of statistics and a right which the party and state give the broad masses of statisticians. It is also the obligation of the broad masses of statisticians toward the party and the country. In order to defend the interests of the party and the country, comrades Liu Yanping and Li Naijian resolutely struggle against the erroneous actions of individual leaders and truthfully perform the duties of statisticians. Statisticians in the whole country should learn from their lofty qualities.

Fraud, attacks and vengeful activities of leading comrades in the Nanning Neighborhood Office of Standard Accessory Plant No 3 and the deputy head of the Supply Department in the Forestry Bureau in Dujianghe should be disciplined and sanctioned. Naturally, we should also understand that the responsible comrades in some units may do things detrimental to the truthfulness of statistical figures owing to their lack of knowledge in statistical work. Therefore, in the course of upholding our principles, we should reinforce the propaganda of socialist statistics so that the comrades concerned can understand the importance of statistical work and treat statistical figures seriously. We should pay attention to this important task in order to guarantee the truthfulness of statistical figures.

Liu Shuyi Article

Beijing TONGJI [STATISTICS] in Chinese No. 6, 17 Jun 83 pp 20-21

[Article by Liu Shuyi [0491 2885 5030], Kirin Provincial Statistical Bureau: "Comrades Liu Yanping [0491 5333 5493] and Li Naijian [2621 0035 6943] Resolutely Struggle for Upholding Truthfulness in Statistical Figures"]

[Text] The recently convened conference for the heads of Kirin statistical bureaus commended comrades Liu Yanping and Li Naijian for their resolute struggle in upholding truthfulness in statistical figures and called upon everyone to learn from them.

Liu Yanping is a statistician in the Nanning Neighborhood Office of Standard Accessory Plant No 3 in Nanguan Region in Changchun City. In 1980, the plant headed by the party branch secretary falsely reported the gross industrial output on three occasions. Liu Yanping resolutely resisted and struggled against this erroneous action. She voiced her opinions many times and made her views known to the Nanning Neighborhood Office. However, the leadership comrades in that plant not only failed to rectify their mistake, but also suspended her without pay. Comrade Liu Yanping was not intimidated but reflected this situation to the District Statistical Committee and the Industrial Office in Nanguan District. However, the Nanning Office announced the Municipal Statistical Bureau at the risk of dismissal. The Municipal Statistical Bureau carried out two joint investigations with the Nanguan District Statistical Committee, the Regional Industrial Office and Nanning Office and found the facts reported by Liu to be correct. Consequently, the Municipal Statistical Bureau issued a "Communique on the False Statistical Report by the Nanning Neighborhood Office of Standard Accessory Plant No 3 in Nanguan District." However, leading comrades in that plant did not examine their mistakes, but rather falsified documents, confused the public, disseminated false material and boycoted the "communique." Liu Yanping did not give in but approached the Provincial Statistical Bureau. The Municipal Government and the Municipal Discipline Committee instructed the Nanning District Government to carry out serious investigations. Based on investigations carried out by reporters of the Kirin Branch of Xinhua Press and the KIRIN DAILY NEWS, KIRIN DAILY NEWS reported this incident under the headline "Merit or Offense, Let's Discuss It." The press had given Liu vigorous support and finally the problem was resolved. The struggle of Comrade Liu Yanping was ascertained and commended. She was reinstated in her job and was paid the withheld wages. The responsible party branch secretary in that plant received a serious warning and was disciplined by the party.

Li Naijian is a distributor of no 1 material in the Supply Department in the Dujianghe Forestry Bureau. In April 1980, he reported to the leading cadre in that bureau that the deputy head of the Supply Department in that bureau had colluded with the fuel planning distributor and concealed information on coal consumption. The leading comrade concerned was very dissatisfied with this report. In the assessment of grades and wages in 1980, under the pretext of "guarding the pass," the leading comrade eliminated the name of Li Naijian, who had been nominated by the masses. On the other hand, the fuel planning distributor was promoted one grade. Li Naijian was not convinced and disclosed this problem to the relevant departments many times. However, the problem was still not resolved. The leading comrades concerned thought that he was only arguing over wages and remuneration, and dismissed him from the position of distributor of no 1 material. Li approached the Provincial Forestry Department and the Labor Department. The Provincial Forestry Department and the Labor Department and the Wage Assessment Office of the Labor Department instructed the Dujianghe Forestry Bureau to investigate the problem carefully. However, the leading comrade of that bureau did not seriously study or investigate the problem, but, based on the report of the Supply Department, drafted an erroneous document which did not conform to the facts. Li Naijian then approached the Provincial Statistical Bureau. The Provincial

Statistical Bureau and the Provincial Forestry Bureau formed a joint investigation team. They carried out three investigations in the Dujianghe Forestry Bureau and discovered that the Supply Department of that bureau had indeed concealed information in reporting coal consumption. They thus issued a joint "communique," pointing out that the report disclosed by Li Naijian was well founded and that Li should be commended. They pointed out that the responsible comrades concerned should examine their mistakes in writing and reinstate Li to his original position as far as possible. If this was not possible, he could be assigned to a post similar in nature to his former work with his consent. The Supply Department did not pay attention to this. They lied and spoke of Li's reluctance to undertake work of a different nature as "Li's refusal to accept the assigned task," and with the approval of the bureau stopped paying Li his wages. Li Naijian approached the Provincial Discipline Committee and the Central Discipline Committee because of this. Finally, the party organization of the Provincial Forestry Department instructed the Discipline Investigation Group of the Forestry Department to carry out repeated and overall investigations and clarify the facts according to stipulations in the 1982 documents of the Provincial Discipline Committee and the suggestions of the Central Discipline Committee and its Discipline Investigation Group in the Forestry Department. The party organization of the Forestry Department finally made a resolution on how to handle the problem: 1) reinstate Comrade Li Naijian to his position of distributor of no 1 material in the Supply Department; 2) pay him retroactively his withheld wages and make up for his financial loss caused by his report of the problem to the higher levels; 3) withdraw the erroneous documents formerly issued by the Dujianghe Forestry Bureau; 4) the deputy head of the Supply Department should be penalized and disciplined for the financial losses caused by his mistake; 5) Li Naijian should be given encouragement and support for upholding principles, and he was promoted one grade in accordance with the regulations.

9954

CSO: 4006/693

NATIONAL POLICY AND ISSUES

HU YAOBANG, WAN LI MEET WORKER REPRESENTATIVES

OW301844 Beijing XINHUA in English 1640 GMT 30 Aug 83

[Text] Beijing, August 30 (XINHUA correspondent Zhang Xijun)--"The party Central Committee and the State Council give full support to urban collectives and the individual economy," Hu Yaobang, general secretary of the Central Committee of the Communist Party of China said here today.

In a meeting with 301 delegates to a national conference of collective enterprises and individual laborers, he spoke highly of the role played by the collective and individual sectors in China's economic development.

All laborers who have worked hard and made contributions to the state and the people are glorious, whether they work in state-owned enterprises, in collectives or are self-employed.

Vice-Premier Wan Li urged local party and government leaders to give further support to the collective and individual economies, to attach as much importance to them as they do to state-owned enterprises, to help solve their difficulties and to support them on policy matters including funds, raw materials and taxes.

The one-week national conference, which closed here yesterday, was the first of its kind held since 1949. It was also the first time that representatives of collective and individual enterprises met leaders of the party Central Committee.

The Chinese Communist Party established in late 1978 principles for the long-term coexistence of different economic sectors, under the condition that the state-owned sector would take precedence. At present, 26.81 million people work in collective enterprises and 1.86 million people are self-employed. Output from collective industrial enterprises in 1982 was over 110,000 million yuan, 21 percent of China's total industrial output.

The Chinese Government now holds that the development of a diversified economy is necessary for building Chinese-style socialism.

CSO: 4020/113

ECONOMIC PLANNING

RENMIN RIBAO ON QINGHAI'S BUILDERS, GROWTH

OK291323 Beijing XINHUA in English 1244 GMT 29 Aug 83

[Text] Beijing, August 29 (XINHUA)--Letters and messages are pouring into Qinghai, an underdeveloped highland province in northwest China, applying for work assignments.

The Qinghai Provincial Labor and Personnel Bureau reports receipt of nearly 4,000 applications. Quite a number of current college graduates are arriving to take up their assignments.

Qinghai Province has sent out four work groups to different regions of the country to interview applicants. A research society has been set up in the province to study how best to utilize the intellectual resources.

The province is prepared to accept any person with skills and will grant them favorable material benefits, provincial party Secretary Zhao Haifeng has said that.

The Qinghai development drive was touched off by party General Secretary Hu Yaobang during his inspection tour earlier this month. He called on young people with a pioneering spirit to help open up this dormant treasure house in northwest China.

He foresaw the province as a focus of China's major economic construction efforts around the turn of this century. He outlined development programs for this area which he described as promising and strategically important.

Qinghai lies in the northeastern part of the Qinghai-Tibet plateau where the Yellow and Yangtze rivers rise. It is rich in natural resources, with verified water power reserves of 20 million kilowatts and potentially large reserves of coal, petroleum and natural gas. It also has the world's largest rock salt deposits, with a reserve of 50 billion tons.

But inaccessibility and harsh natural conditions have retarded growth. A large number of people were sent there after liberation and numerous surveys have been undertaken. In April 1965, the late vice-premier Chen Yi visited the Qinghai builders and promised to mobilize more people.

The provincial party Secretary Zhao Haifeng said that great changes have taken place over the past 30 years. The head of livestock has increased 2.9 times and grain output has nearly trebled. Industry, which at the time of liberation had only eight handicraft workshops, now has 1,300 enterprises. These include light and textile industry, metallurgy, coal, power, petroleum, chemicals, machinery, electronics and building materials. Communications and transportation facilities have expanded and two trunk railway lines added. The increase in roads is 15,000 kilometers.

But mostly natural resources have remained undeveloped, Zhao Haifeng said. Support from coastal provinces and foreign cooperation as well would be needed to build up northwest China.

He announced that the province will hold an export commodities exhibition in Hong Kong in early September and offer a number of projects for investment discussions with overseas firms. Negotiations on a number of projects have already started with foreign firms.

Recently college students in the Chinese capital organized a northwest China study tour. They brought back word to the 90,000 university students that there was opportunity for them to display their talent in northwest China. Many students promised to shape their future to the needs of the country.

The question of mobilizing young people, Hu Yaobang said, was not limited to science and technology. Full attention should be paid to imbuing them with a pioneering spirit and a revolutionary spirit of willingness to sacrifice for the country and people.

Today's "People's Daily" devotes a whole page to Qinghai's builders and its prospects for tremendous growth.

CSO: 4020/113

ECONOMIC MANAGEMENT

CONTROLLING CAPITAL CONSTRUCTION STRESSED

Chengdu SICHUAN RIBAO in Chinese 6 Jun 83 p 1

[Article by staff commentator: "Strengthening Management of Extra-Budgetary Investments Is an Important Link in Controlling the Scale of Capital Construction"]

[Text] The present political and economic situation in our province is very good. Faced with this excellent condition, some comrades cannot avoid worrying that control over the scale of capital construction will again be lost, and this worry is not without foundation. Since the establishment of our government, there have been three instances when there were steep increases of more than 10 billion yuan in the scale of capital construction over the preceding year. Each time when the general situation turned excellent, capital construction was undertaken on a grand scale and, as a result, goods and materials became short all over the country and finally compelled readjustments. Once readjustments were resorted to, capital construction was substantially reduced. These ups and downs, twists and turns in capital construction caused enormous losses to the state and the people, and taught us an extremely profound lesson. Past experience, if not forgotten, is a good guide for the future. Our experiences tell us that in times when the general situation is getting better and better, it is necessary to strictly control the scale of capital construction and judging by present conditions, the key to real control of the scale of capital construction lies in strict control of extra-budgetary investments in capital construction.

Last year the extra-budgetary investments of our province locally exceeded the plan 1.1 times, while the ratio of investments provided in the budget decreased from 46.2 percent the preceding year to 41 percent. This presents quite an important problem, and the new situation cannot but attract our serious attention. The unduly large excess of extra-budgetary investments over the plan will of necessity have the effect of extra-plan items jostling plan items, general construction jostling key construction, capital construction jostling technological reforms and of bringing the demand for greater economic results from investments to naught. Comrade Chen Yun warned us sincerely and earnestly as early as 1957: "The scale of construction must conform with national capacities." If there is a possibility that the scale of construction exceeds the financial and material strength of the nation, it becomes risky and may throw the economy into chaos." This important experience, which comrade Chen Yun evolved on the basis of the Marxist theory of reproduction and the practice of our national economic construction, is an important guiding

principle for our socialist construction. Especially now that there is this steep increase in extra-plan capital construction, which already affects our key construction projects, it appears particularly important to emphasize the thorough implementation of this important guiding principle.

The proper management and use of extra-budgetary funds is an important link in the control of extra-plan capital construction. The term extra-budgetary funds refers to such funds which, according to state regulations, are not included in the state budget, but are left to local authorities, departments or units to collect and spend at their discretion. Still, by nature they are public finance funds and an important component of our nation's financial strength. In 1982, the extra-budgetary funds of our province amounted to 2.5 billion yuan and accounted for 70 percent of the entire budgetary revenue of our province, a very sizable sum indeed. We must realize that the further development and expansion of production and circulation in the wake of our reform of the economic system and the implementation of our policy of revitalizing the economy will have the effect of further increasing the amount of extra-budgetary funds. We must, therefore, strengthen the management of extra-budgetary funds. The principal and basic demand is to effect planned management and overall balance. Especially investments for capital construction must definitely be incorporated in a capital construction plan and strictly controlled, to prevent certain local authorities, departments or units, starting out from their own local interests, from engaging in irrational and duplicative constructions that may clash with the national plan. According to state regulations, if one's own funds are provided for capital construction and these exceed the plan, 30 percent of the excess shall be levied as funds for key construction projects in the field of energy resources and communications. At the same time, we must control the direction in which these funds are used. On the principle of not changing the ownership rights to these funds and differentiating according to particular conditions, we must employ methods of guidance by policy, coordination according to plan and balanced mutual harmonization. We must give overall consideration, make all-round arrangements and integrate macrocosmic demands with microcosmic enthusiasm. We must guide the enterprises and the departments in administrative charge to use the free funds under their control in accord with the state's policy on technology and technological reform plans, use them principally on renewals of equipment and technological progress, on the development of new products and technological reforms that focus on economizing energy consumption. If we proceed in this way, it will not only conform with the overall interests of the country, but also with the own interests of the enterprises and the departments. Extra-budgetary funds are an important supplementary and complementary force in the state's public finances. The finance departments at all levels must, as a matter of course, establish perfect systems of controlling extra-budgetary funds and strengthen their management and supervision. They must, moreover, closely cooperate with the Bank of Construction and the People's Bank, jointly strengthen the management of extra-budgetary funds, set up a comprehensive financial credit plan, carry out effective overall balancing of funds and raise economic results from the use of funds to accord with the needs of the socialist modernization drive.

ECONOMIC MANAGEMENT

ACCOUNTING PROBLEMS IN GUANGDONG'S ENTERPRISES DISCUSSED

Beijing ZHONGGUO SHEDUI QIYE BAO in Chinese 24 Jun 83 p 3

[Article by Huang Bingzan [7806 3521 6363], Li Rongtian [2621 2837 6869], Lin Quangen [1243 2938 2704] and Yang Tong [2799 2717], Commune and Brigade Accounting Association of Foshan Prefecture, Guangdong Province: "Several Problems Regarding the Independent Authority of Enterprises and the Management of Financial Affairs"]

[Text] The implementation of the economic contract responsibility system does not imply that once we have determined to employ a certain method, form or contract target that everything is fine and dandy. The new system necessitates a change in the system of economic management, it involves a wide range of issues and its problems are complex. If it is handled well, productivity will advance another step forward. If not, it is possible that the collective economy will suffer losses and may even disintegrate. Several problems relating to the independent authority of enterprises and the management of financial affairs following the implementation of the economic contract responsibility system are discussed below.

The Problem of Expanding Independent Authority. If enterprises are to be invigorated and caused to be run well, they must be allowed a certain measure of autonomy. In the past, with respect to some commune and brigade enterprises, authority was concentrated in the hands of the commune or production brigade, rendering such enterprises state entities. The implementation of the contract responsibility system compelled communes and production brigades to relinquish to enterprises authority over personnel, finances, material, supply, production and sales, thus transforming the latter from bureaucratically to popularly run enterprises and bringing into play every factor internal to the enterprises.

Authority over Personnel--In principle contract enterprises must retain their original personnel so as to protect the latter's proper rights and interests. But once the contract has been set, should the contractor feel its authorized staff is too large, it may consult with the responsible departments to resolve the problem. Once an enterprise makes a contract it may not arbitrarily dismiss any of its original personnel. The contractor does have the authority to fire any person who has clearly violated the State Council's Regulations Regarding the Rewards and Punishment of Staff and Workers, but the case must be reported to and examined by the responsible departments. The contractor

may also recruit and employ personnel according to the needs of production and operations. Dismissal of such personnel is subject to the restrictions set forth in the above regulations. When the contract has expired all personnel engaged by the contractor must leave its employ en masse.

Financial Authority--In order to ensure the integrity of the financial system, the contractor must adhere to the standards formulated by the ministries of agriculture and finance and the limits on expenditures set by the state. The contractor may formulate its own supplementary regulations regarding its expenditures, but the expenditures subject to such regulations must be derived from profits earned by the contractor.

Authority over Materials--Sales of enterprises' fixed assets must first receive approval. However, contractors have the authority themselves to dispose of materials and goods having the nature of liquid assets. But as regards those products included in the state plan, contractors must scrupulously adhere to the stipulations in their contracts and may not dispose of these products freely.

Problems in Accounting Work after Enterprises Accept Contracts. After implementing the contract system some enterprises have eliminated their accountants, dispensed with accounting work and failed to submit their accounting report forms. These phenomena are violations of the state's financial and economic discipline and reflect misinterpretation of the economic contract responsibility system. Once an enterprise undertakes a contract, accounting work must not be attenuated but enhanced. In order to strengthen its management, a contractor is permitted to select more capable accountants. Yet such selections must be submitted to the departments in charge of enterprises for approval. Subject to accountants' own wishes and the agreement of the contractor, the former may be recruited on a concurrent job and salary basis, with remuneration to be discussed and agreed upon by both parties.

Problems Related to Financial Management. Contract enterprises still belong to the socialist system of collective ownership. Thus when they prepare their contracts such enterprises should consider the inclusion of the following elements.

The Proportion of Profits that Enterprises May Retain--In order to supplement the funds needed for expanded reproduction, enterprises employing flexible contracts must retain not less than 35 percent of their contracted net profits for use as replacement and development funds and 5 percent for new product trial production. For those enterprises employing rigid contracts, under which they must remit their profits to higher authorities, the departments responsible for enterprises must consider returning the above percentages for use in expanding reproduction.

Management of Enterprises' Own Funds--Commune funds, state subsidies and special purpose funds (which include replacement and development funds, welfare funds, subsidy allocations and precontract surplus worker incentive funds) all belong to collective enterprises. Except for payment of employees' regular medical expenses, these funds may not freely be transferred. If such

a transfer is necessary during the contract period (including hardship subsidies for employees), the enterprises must first obtain approval from the departments in charge of enterprises. Welfare funds must be deducted in accordance with regulations.

The Handling of Credits and Liabilities--At present, when some enterprises undertake the economic contract responsibility system, they turn over all credits, liabilities, bank loans and interest payments to the departments in charge of enterprises to sort out. This method is inappropriate. Credits and liabilities are normal occurrences in enterprises' productive operations. Fluctuations in credits and liabilities have a mutually balancing and offsetting relationship with the use and sources of enterprises' funds and do not affect contractors' profits. Nevertheless, contractors must gradually assume responsibility for them. Responsible departments must examine the veracity and rationality of credits and liabilities assumed by enterprises after the latter have accepted contracts in order to prevent confusion in accounts, falsification and transfer of funds. The responsibility for bad debts must be clarified. Those that occurred during the contract period should be assumed by the contractors; those that did not, should be verified and cancelled by the responsible departments. And since loans serve enterprises' production, the interest on these loans should be assumed by the contractors.

The Control of Enterprises' Costs--Once enterprises assume a contract, all expenses for production costs, no matter what the amount, may be decided by the contractor itself. The contractor, however, may not freely exceed the limits and standards of expenditures set forth in the financial system. All expenses that should be included in current costs (including depreciation, amortization and accrued expenses) must be included in accounts in accordance with the System of the Occurrence of Rights and Responsibilities.

The Handling of the Depreciation of Fixed Assets--The depreciation of enterprises' fixed assets should be calculated in accordance with regulations. Contractors should improve maintenance and properly seal and store all equipment they do not require so as to avoid depreciation deductions. If renewed use of such equipment is required, contractors should inform the responsible authorities, request removal of the seals and begin deducting depreciation. If it is discovered that contractors have removed seals and restored use of such equipment without authorization, depreciation shall be calculated retroactively beginning the month use was restored. In principle, buildings must be depreciated whether used or not. Buildings that contractors declare idle may be designated for other use. Depending on need, enterprises' depreciation funds may be retained by the enterprises or they may be remitted in their entirety to the responsible departments.

The Handling of Deferred Expenses--Enterprises must set up and maintain detailed ledgers for deferred expenses. Those deferred and bought expenses that enterprises incur should be carried over according to their book amounts and amortized in accordance with prescribed methods. The amortization period may not exceed 1 year. Whether amortized or not, low-priced and easily worn articles are considered enterprise property. Thus contractors may not freely remove such articles.

Guaranteeing Retired Workers' Livelihood--Contract enterprises must assume responsibility for providing retired workers' pensions and the originally mandated welfare benefits. Enterprises in all communes that have not established centrally planned retirement systems must provide for retired workers' livelihood. Enterprises in communes where such systems do exist must deduct and remit to departments in charge of enterprises the proportion of the centrally planned retirement fund required by regulation. This is done to guarantee retired workers' livelihood.

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CSO: 4006/728

ECONOMIC MANAGEMENT

STRENGTHENING MANAGEMENT OF MARKET COMMODITY PRICES

Hangzhou ZHEJIANG RIBAO in Chinese 4 Jul 83 pp 1, 3

[Article by staff reporter Shen Zhenzhong [3088 2182 0022]: "The Provincial Government Notified All Localities to Effectively Strengthen Management of Market and Commodity Prices; Unlicensed Trading Must be Resolutely Suppressed; Commercial Units are Strictly Forbidden to Try to Gain Illegal Income by Taking In Goods at Official List Prices and Disposing of Them at Negotiated Prices; It is Forbidden to Fraudulently Buy Up Goods in Short Supply From Retail Stores for Purposes of Profiteering; It Is Forbidden to Raise Prices in Disguised Forms; It Is Forbidden to Evade State Taxes"]

[Text] In the latter part of June, the Provincial People's Government issued a notification demanding of all localities and departments to earnestly implement the State Council's "Notification on Strengthening Market and Commodity Price Management," to organize a force for a one-time comprehensive investigation into the market and commodity price situation and to take effective measures to ensure the fundamental stability of market and commodity prices.

The notification points out that preservation of a brisk market and fundamentally stable commodity prices is the joint responsibility of the governments at all levels, of the production and business departments and of all marketing units. The notification demands of the governments at all levels to organize the vast number of cadres and related personnel to earnestly study the State Council document, raise ideological understanding and adopt effective measures, linked with the realities of local conditions, to strengthen the management of market and commodity prices. The notification prescribes: in all trade activities, whether state-run or conducted by collectives or individuals, the starting point must be the consideration of social need, benefits for production and convenience for the people; there must be overall planning and coordinated development. Any unit or individual applying for permission to start trade activities must apply for registration with the local organ in administrative charge of industry and commerce. The applicant must be investigated, approved and be in receipt of a trading permit before he is allowed to engage in the trade activities at the place and within the scope that his permit specifies.

There must be an earnest checkup and cleanup of unlicensed traders, and all who do not qualify under the regulations must be resolutely weeded out. All trade enterprises whether state-run or operated by communes or individuals must firmly uphold the socialist direction and obey the law, operate their business in a cultured way, clearly indicate their prices, be fair in their business dealings, show a high degree of service and pay taxes according to regulations. All must strictly implement the state's pricing policy and related provisions on setting prices. It is forbidden to fraudulently buy up goods in short supply from the retail stores for the purpose of profiteering by selling them at high prices. It is forbidden to adulterate and falsify goods, to misrepresent their quality, to give short weight or short measure and to raise prices in disguised ways. It is forbidden to block transit to force sales, to fraudulently dominate the market or drive prices up. It is forbidden to sell poisonous, harmful, rotten or otherwise deteriorated foodstuffs. It is forbidden to evade state taxes. Violators will be dealt with, depending on the severity of the case, by criticism and education, by withholding or reducing bonuses or shares of profit, by confiscating the illegal gains, by having to make up taxes and pay penalties, by administrative sanctions, by stopping business for necessary adjustments, by revoking the business license and even by punishment according to law. Commercial units are strictly forbidden to seek illegal income by taking in goods at posted list prices and disposing of them at negotiated prices. Violators will be punished with greatest severity. In order to effectively promote the supply of vegetables to the population in the cities and towns, it is necessary at the sources of staple vegetables to firmly adhere to planting, pricing and procurement plans, to ensure regular supplies of vegetables and the stability of sales prices. As to small commodities for which our policy allows flexibility in prices, the peasants and the merchants shall fix reasonable prices through mutual consultations, and as far as possible direct deals between the production brigade and the vegetable markets shall be arranged to reduce intermediary links, reduce expenses and have sales prices stay below trade prices in the markets. The notification also contains particular demands in the question of pricing and charging fees in the food and drink, repair and service trades, in the question of managing trade at local fairs and markets in the cities and in the countryside, as to the problem of strengthening the guidance and control of individual traders and as to the strengthening of tax collecting work, and the strengthening of the organizational buildup of departments managing commodity prices and administering industry and trade.

Finally, the notification points out that in case of need, the municipalities and counties, considering the realities of local conditions, may determine certain specific regulations and measures, publish them for everyone to know, and mobilize the broad masses to supervise and to implement them.

9808

CSO: 4006/700

ECONOMIC MANAGEMENT

JINGJI GUANLI SETS UP CADRES' TRAINING PROGRAM

HK230835 Beijing JINGJI GUANLI in Chinese No. 7, 5 Jul 83 pp 2-3

[Article by Ma Hong [7456 3055]: "JINGJI GUANLI University--A New Type of Institution for Cadres' In-Service Training"]

[Text] JINGJI GUANLI journal has set up a university in coordination with the institutes of higher learning, scientific and research units, factories, mines, enterprises and economic leading organizations for cadres' in-service training, and this work is a significant undertaking.

The 12th CPC National Congress has defined the grand program for the realization of the socialist modernization program in China and, under the leadership of the party, the people of various nationalities across the country are now working hard to put this program into operation. A modernization program cannot be carried out without management. In his report to the 12th CPC National Congress, Comrade Hu Yaobang said: "It is imperative to strengthen the study and application of economic science and management science and constantly improve the level of the national economic planning and management and the management level of enterprises." This is an important strategic task.

The level of the economy of our country at present is still not high and the economic efficiency of enterprises is still relatively low. An important reason for this situation is not only backward production technology but also low management level which represents a key question. The same production and technical conditions will result in different economic efficiency if we are good at management. Therefore the countries with relatively advanced economy have regarded the importance of science and technology and the importance of management as two indispensable wheels for developing economy. As our country is still relatively backward and the strength of our country is still limited, a certain amount of funds and a relatively long period are required before we are able to change materially the situations of our production and technology. Therefore it has become more realistic and urgent for us to raise economic efficiency through the improvement of management.

In order to improve the level of management, it is imperative first of all to build the ranks of the cadres who have acquired a knowledge of management

science. Take the situation of the industrial enterprises with the ownership by the whole people across the country for example. These enterprises are now staffed by more than 35 million people, and of this figure, more than 3.5 million are cadres that are responsible for various management works. In past years, because of the influence of the "leftist" mistakes, no attention was paid to training management staff. Of the cadres that are responsible for management work, only a few have received systematic education in management science. Some of these cadres are promoted to such positions after they are selected from among the workers who have experience in the first rank of production; some others are transferred from other departments and although some of these cadres have received general college education, they never received education in management specialization. A few comrades have received college education in science and engineering, but they do not have systematic knowledge in management science. The majority of these cadres are active in their work and they have accumulated valuable experiences through their management works. But, as they do not have the opportunity to study the knowledge of management science systematically, there will no doubt be a very big limitation in improving their enterprise management level in an overall way, in realizing enterprise management modernization, and in considerably improving economic efficiency. In order basically to change this situation, it is necessary, on the one hand, to develop management education in a big way while efforts must be made to ensure that in future, those who join management work have already received systematic management education; on the other hand, it is also more realistic and pressing to train and improve the management level of in-service cadres in a planned way. Comrade Hu Yaobang pointed out in his report to the 12th CPC National Congress: "In order to train a great number of professional talents for the socialist modernization program, it is imperative to strengthen cadres' education and training in a big way. In future, in employing and promoting cadres, it is necessary to consider the records of their schooling and achievements of their study as important as the records and achievements of their work." Various types of schools must work out their teaching plans according to the division of work among themselves and they must be responsible for giving regular training to cadres.

It is a major and arduous task for the education cause of our country to train in-service cadres in a planned way and through regular methods. In order to realize this task, it is imperative to reform the existing education system and fully mobilize education departments and the strength of various sectors in society to run schools in various forms under the premise that the quality of education will be guaranteed. The college run by JINGJI GUANLI is a united correspondence college. It is a new type of institution that is built to meet the needs of the objective situation as a response to the call of the party.

This management college run by the journal is called united college because it has been formed through the concerted effort of a number of institutions of higher learning, economic research units, economic commissions at various levels and education departments of certain big industrial enterprises. After almost a year of preparations, this college has begun the first

specialized subject on the basis of experiment--specialized science of industrial enterprise management. The targets for the training in this specialized subject are middle grade and above cadres of industrial enterprises. Measures have been taken to analyze conscientiously the management knowledge that has been grasped by these cadres in their work, and education planning that is relatively close to reality and the teaching program for various subjects have been worked out. A number of fine scholars and experts have been organized to compile teaching materials. The students are composed of two kinds, that is, registered and unregistered students so as to provide a good chance for the broad masses of cadres of enterprises to study management knowledge systematically.

It is an experiment to run a school for training in-service cadres through a journal and the result has yet to be proven through practice. But according to preparatory works and the reaction from various quarters, we have reason to believe that this type of college is a form that is in line with the conditions of study which will enable in-service cadres, and particularly the cadres of middle grade and above, to achieve greater, faster, better and more economical results in their study.

The news of the opening of this college has been widely welcomed by the broad masses of enterprise cadres. Why? Because this college has the following characteristics:

1. The college run by the journal is based on self-study in the main, and the length of time for the study is flexible--it depends on the students themselves. Therefore, this situation is favorable to the leading cadres who cannot freely arrange their time because they are too busy in their work.
2. The subjects of this college are based on actual needs of cadres. Both the arrangement and contents of the subjects are related to reality while the method of teaching emphasizes the importance of integration with practice. For example, when the students have finished a subject, they must design special projects in order to apply what they have learned in improving the related work of their enterprises; following the completion of the courses, they have to take a graduation examination and make systematic suggestions as to how to improve the management of their enterprise as a move to apply what they have studied.
3. Teaching materials of this college include regular and coaching teaching materials and they are distributed by JINGJI GUANLI regularly. With these materials, leading cadres with practical experience and understanding ability are in a position to grasp knowledge through self-study. Registered students have classroom coaching once a week and therefore they have more chance to meet the requirements of the course.

In short, these characteristics include convenience for self-study, integrating theory with practice, and combining study with application and this college is particularly suitable for meeting the needs of in-service cadres.

The college has two types of teaching method, that is, it enrolls registered students and unregistered students. Entrance examination for registered students are carried out by college branches that have been established and approved. After the students have been enrolled through standard and strict examination, they can attend coaching reports and they must finish various operations according to rules, pass single-subject examinations and graduation examinations after the completion of all subjects. The graduates must reach the level of university graduates. But, because of limited strength, it is impossible at the present stage to set up branches in various places, nor is it possible to enrol too many registered students at one time. But the broad masses of cadres who are willing to make progress can study the teaching and coaching materials that are issued by the journal by themselves; the related organizations and industrial and mining enterprises also can set up training courses by using these materials. Therefore the college run by the journal has key training targets and at the same time has the role of popularizing management education. This college does not need state investments nor does it employ teachers. It only makes use of the related facilities of the existing institutes of higher learning, economic research units and factories, mines and enterprises and mobilizes some teachers, experts and scholars. In the next 3 years, this college will be able to train tens of thousands of in-service cadres for the state each year. Is it not a good method for training cadres with greater, faster, better and more economical results?

Comrade Chen Yun said: "There are bright prospects for the colleges run by journals." The college run by JINGJI GUANLI has opened up a new road for enterprise in-service cadres to receive regular training, and for developing adult education. I am confident that under the concern and support of education departments and related leading organs, with the concerted effort of leading comrades and teachers of various institutes of higher learning and other experts and scholars, and by relying on the broad masses of in-service cadres who are willing to fully display their initiative in the study and who persist in the principle of combining training with practice and study and application, this new flower in the education front will be able to make outstanding achievements to prove its strong vitality and make contributions in popularizing management education and in improving the economic management level of the country.

As the college begins the teaching of this enterprise management specialized subject, we would like to take this opportunity to congratulate and salute the entire body of teachers, students and staff of the college and hope that this experiment will be successful!

CSO: 4006/796

ECONOMIC MANAGEMENT

STATE COUNCILLOR ZHANG JINGFU ON QUALITY

0W020400 Beijing Domestic Service in Mandarin 1200 GMT 31 Aug 83

[Text] Listeners: State Councillor Zhang Jingfu made a radio and television speech today calling on all areas, departments, enterprises, institutions, workers and staff members to seriously launch the sixth national quality month movement and bring China's quality control work to a new level. Please listen now to the recorded speech by Comrade Zhang Jingful.

[Begin recording] Comrades in all areas, departments and enterprises and listeners and viewers throughout the country:

The sixth national quality month movement will begin on 1 September. With the approval of the State Council, a nationwide quality month movement has been held every September since 1978. The quality month movement not only pays attention to quality during this month but also rallies and mobilizes the masses of workers and staff members to carry out an all-round inspection, summing-up, comparison and appraisal, and commendation on quality and quality control work with regard to products, engineering projects, communications and transport, the service trades and work in other fields; further arouses the sense of responsibility as masters and the sense of professional honor among the masses of workers and staff members in building a powerful socialist country with modern industry, agriculture, national defense and science and technology; further defines the quality goals and the orientation and tasks of quality control work; and helps bring the quality of products and services to higher levels.

The quality month movement plays a positive role. However, the launching of the quality month movement is merely a measure. To increase variety and improve quality, we must adopt a series of measures and wage a protracted and unrelenting struggle. First of all it is necessary to increase our understanding and really regard variety and quality as important factors in economic work. At the same time, we must work in a down-to-earth way toward the long-range goal of changing the backward outlook on variety and quality to basically meet social demands. We must also adopt some effective policies, formulate a number of necessary rules and regulations and make painstaking efforts to push forward our work in science and technology and do a good job in technical work in various fields of construction and management.

Since the 3d Plenary Session of the 11th Party Central Committee, the economic situation in our country has been very good all along. In the first half of this year, the weather conditions were abnormal in our country and quite a number of areas experienced extraordinarily serious floods rarely seen through the years or prolonged high temperatures. However, industrial output still steadily increased. According to initial statistics for January to July, the country's total industrial output value increased by 9.1 percent over the same period last year. New progress was made in product variety and quality. Investment in engineering and construction projects increased by 15.8 percent over the same period last year. The key construction projects made faster progress. Corresponding progress was made in transport, telecommunications and postal services. Circulation channels worked smoothly for commerce and the service trades. The markets flourished, and both purchasing and marketing were brisk. In short, China's economy has begun to move onto a path of steady and sound growth.

However, an obvious contradiction exists in industrial production; that is, a considerable number of enterprises still fail to pay attention to product quality and one-sidedly pursue quantity and output value, resulting in failure to act according to plans, blind construction and aimless production. Small enterprises and low-quality goods compete for resources with large enterprises and good-quality goods. As a result products are unwanted because of poor quality and lack of variety with greater losses being incurred because of high material consumption and increased production cost. The growth rate of tax and profit turned over to the state by industrial enterprises is much lower than the growth rate of their output value, and this means low economic returns. Similar problems also exist in the engineering and construction fields. This cannot but adversely affect the implementation of the party Central Committee's policy of concentrating financial and material resources to guarantee the requirements of the key construction projects. It cannot but adversely affect the smooth implementation of the strategic policy decisions of the 12th party Congress.

China's industry is currently faced with a serious challenge and a new test of how to improve the quality of the enterprises. For a long time our industrial--and even our agricultural--products were rather insufficient to meet demands, and goods were in short supply in the markets. The situation is now different. Whether in domestic markets or in international markets, the question now is quality. In foreign countries, the price between high-grade and low-grade products might differ by several times, even dozens of times. Take light industrial and textile products for example. Our exports are mostly popular goods of dependable quality. In the domestic market, supply of high-quality and name-brand goods still falls short of demand while inferior brand goods and outdated goods are unsalable and kept in stock.

In the meantime, with the continuing implementation of the economic policy of opening to the outside world and enlivening the domestic economy, the gradual readjustment of the prices of energy and raw and semifinished materials in the days to come, the need to adapt to fluctuations in international prices, further readjustment of wages as production grows, and so

forth, the objective situation has shown all industrial enterprises that they cannot rely on old methods and present standards. If our enterprises fail to change radically, if they fail to make significant improvement in product quality and enterprise management, they will have no vitality at home and will be unable to compete in international markets. In other words, if they fail to advance, they cannot develop. Economic departments at various levels and all enterprises should seriously and earnestly deal with this question. Through guiding ideology and concrete actions, they must shift their work unto the path of concentrating on improving economic results and make determined efforts to reduce material consumption and improve product quality. Efforts should be made to improve the competence of the leading bodies of enterprises and of the workers and staff members, improve the quality of management and improve technical standards. We must have a good business policy and seek better economic results by producing goods which are readily marketable. We must insist on the unity of quantity and quality and increase quantity on the premise of paying attention to quality and seek better economic results by improving product quality. We must do a good job in updating products and developing new products and seek better economic results from technical progress. We must strive for high quality, marketability, low consumption, profit and safety and seek to have enterprises constantly increase their vigor and vitality and ability to adapt to changes.

The sixth national quality month movement should follow the strategic policy laid down by the 12th Party Congress and the 6th NPC, and with the aim of improving economic results, various activities should be launched to realize practical results and customer satisfaction. In the course of actively developing product variety, improving quality, increasing the proportion of high-quality products, speeding up technical progress and so forth, industrial production units should pay special attention to serious examination and consolidation with regard to progress in drawing up and implementing plans to produce quality goods, in enforcing all-round quality control and in such grassroots technical work as [words indistinct] quality inspection and so forth so as to perfect quality control measures in the production process and insure product quality. Transport, telecommunications and postal units should grasp the important link of safe and punctual operation and concentrate efforts on solving problems of work quality such as careless loading and unloading, violation of work rules and regulations, malicious mistakes, loss of goods and so forth. Engineering and construction units should focus on improving engineering quality, shortening construction time, accelerating key construction projects, achieving better returns on investment and completing more projects which can be rated as being of all-round superior quality. Commercial and service units should further strengthen education in professional ethics, follow the socialist orientation of operations, raise the level of management, improve service attitude and establish a good commercial reputation. Product quality supervising and examining units and industrial and commercial administrative departments--including commodity inspection, medicine examination, food sanitation, ship examination, safety examination of pressure containers, standards and measures and other units--should further strengthen quality

inspection in the course of commodity production and circulation, expose and promptly punish units that do shoddy work or use inferior materials; they should protect the interests of the state and the legitimate rights and interests of customers.

Here I want to particularly point out that recently in our markets, cases of fake trademarks and packing and packaging have been repeatedly occurring to pass off inferior goods for quality brand-name products. These are illegal acts undermining the reputation of quality brand-name products and infringing upon the interests of consumers; they also violate the trademark law and the criminal law. Responsible economic departments, industrial and commercial administrative departments and judicial departments in various places should closely coordinate with each other, mobilize the masses to inform against and expose offenders and seriously and sternly deal with them so as to maintain normal socialist economic order. During the sixth national quality month movement, economic administrative departments at various levels should continue to conduct earnest inspections and give supervision so as to further promote the development of colors, designs and varieties of goods and quality improvement.

Comrades: We have a fine tradition of many years; that is, after a period of practice in doing something, we always conduct in good time a systematic examination and summing-up, affirm and develop achievements, correct and prevent mistakes and thus push our cause step by step toward success. In launching quality month movements each year, our purpose is precisely to conduct an all-round examination and summing-up of the quality of our products and services and of quality control work so as to affirm achievements, commend the advanced, clearly define the orientation, give guidance to practice and raise our quality control work to a new level step by step.

As Comrade Mao Zedong pointed out in "On Practice": Practice, knowledge, again practice, and again knowledge. This form repeats itself in endless cycles, and with each cycle the content of practice and knowledge rises to a higher level.

The State Council calls on all areas, all departments, all enterprises and institutions and all comrade workers and staff members to conscientiously launch the sixth national quality month movement; perfect, innovate and raise it to a new level in the light of the actual conditions; push forward China's quality control work; and make new contributions toward improving product quality and achieving better economic results on the basis of the experience of quality month activities in the past few years. [end recording]

090: 4006/794

ECONOMIC MANAGEMENT

BRIEFS

FACTORY DIRECTORS STUDY GROUPS--Beijing, 26 Aug (XINHUA)--Study societies for factory directors were set up yesterday in Beijing and Shanghai. The societies will study enterprise management theories, systems and methods, draw on advanced foreign management techniques and attend international academic exchanges. Members of the societies are factory directors and industrial company managers with work experience over 10 years. The Beijing society will have branches in all industrial bureaus and corporations, and will invite economics professors to act as advisers. Shanghai has more than 30,000 directors and managers in its 8,000 factories and 100 industrial companies. [Text] [OW261736 Beijing XINHUA in English 1339 GMT 26 Aug 83]

CSO: 4020/113

FINANCE AND BANKING

SICHUAN OUTLINES TASKS FOR FINANCIAL WORK

HK221036 Chengdu Sichuan Provincial Service in Mandarin 0030 GMT 21 Aug 83

[Text] The provincial government recently studied and made arrangements for current financial work. According to the spirit of the recent national conference on financial work and in connection with the province's financial reality, the provincial government called on all localities and departments to seriously carry out the following four tasks:

1. Firmly grasp the work of increasing revenues and reducing expenditures so as to successfully fulfill the financial task. In the first 7 months of this year, the province did well in its revenue and expenditures budget, with 65.18 percent of the annual revenue budget and 47.8 percent of the annual expenditure budget fulfilled, representing an increase of 12.13 percent and 7.08 percent, respectively, when compared with the same period last year.

However, we must realize that more strenuous efforts have to be made in order to fulfill the financial task for the whole year, and we absolutely cannot treat it lightly and relax our efforts. Therefore, all localities and departments must further strengthen their leadership over financial work, and take effective measures to firmly grasp the work of increasing revenues and reducing expenditures. We must first greatly raise economic results in enterprise consolidation, and strive to increase financial income. Those principal profit-making enterprises and units suffering heavy losses must raise concrete indices and effective measures for reducing their costs, reverting losses, and increasing profits, and carry them out at all levels so as to ensure the fulfillment of the target in the province of reducing costs by 15 percent and reversing losses by 20 percent. We must earnestly strengthen the work of increasing tax revenue and strive to collect more taxes. We must, in accordance with the requirements of the Ministry of Finance, check our work in implementing the policy on tax revenue in the second half of this year and conduct a thorough overhaul on the reduction and exemption of tax revenue.

Taxes should be levied on those units in which the period for exemption of taxes has expired. Practices not meeting the stipulations on reduction and exemption of taxes must be corrected. We must strengthen the work of collecting taxes from collective units and individual industrial and commercial

traders and plug the holes of evading and owing taxes. Moreover, we must strictly control and greatly reduce our expenditure, and oppose waste and extravagance. According to the requirement of the State Council, this is a method to strictly control the scale of capital construction. In the second half of this year, we must not [words indistinct] and in general, we will not approve of new expenditures. All administrative institutions must reduce their public expenditures and management fees by 20 percent. The purchasing power of social groups must be strictly controlled and in principle [words indistinct].

2. We must straighten out financial and economic discipline and conduct an overhaul of financial work. The CPC Central Committee and the State Council have repeatedly called on all localities, departments, and units to strictly execute laws and regulations on tax revenue and financial and economic discipline without exception, support the work of tax revenue departments, and refrain from interfering and obstructing financial departments from performing their duties. We must firmly grasp the work assigned by the provincial government of conducting an overhaul of grain enterprises and food industry enterprises, and never relax our efforts. All localities must truthfully report their overhauling work to the higher authorities. In conducting an overhaul of tax revenue and financial work, we must seriously deal with those who wantonly reduce costs, retain state income, secretly possess state property, change state property to collective property, and evade taxes. In serious cases, those concerned must be punished according to law. Never should we tolerate and forgive them. Only thus can we guarantee the state's financial income and put an end to extravagance and waste.

3. We must further carry out the work of substituting taxes for the delivery of profit. In accordance with the unified arrangement of the State Council and concrete arrangement of the provincial government, all localities and departments in the province are now vigorously carrying out the work of substituting taxes for the delivery of profit in state-run enterprises. To meet the needs of the State Council for speeding up the work of substituting taxes for the delivery of profit, the provincial CPC committee and the provincial government have, after repeated study, made further arrangements for the provincial financial department to issue a circular to all localities. And all localities are thus required to strictly carry out the work. Those units which have not yet adopted the system of substituting taxes for the delivery of profit must not take a wait-and-see attitude, but must [words indistinct]. If they fail to carry out the work well in their first step, they will be in a passive position in taking the second step. All localities and departments must proceed from the overall situation and resolutely carry out the work of substituting taxes for the delivery of profit.

4. We must earnestly carry out the work of concentrating our funds. Our province has not yet fulfilled the task for purchasing state treasury bonds and progress so far is not satisfactory in submitting the money in payment of the bonds to the state treasury. Nor is progress so far satisfactory

in raising funds for carrying out priority projects of energy and transportation. All these involve the overall situation and their failure might adversely affect priority projects and the state's financial balance. All localities and departments must organize forces to firmly grasp the work and guarantee the fulfillment of the task.

CSO: 4006/794

FINANCE AND BANKING

ZHEJIANG TAX COLLECTION MEASURES DESCRIBED

HK310812 Beijing RENMIN RIBAO in Chinese 28 Aug 83 p 5

[Report by "our reporter" Ji Jingru [4764 7234 1172]: "Cultivate an Overall Point of View and a Sense of the Legal System--An Investigation of the Business of Taxation in Zhejiang Province"]

[Text] Taxation is a main source of state revenue. How do we give full play to the role of taxation as an economic lever and guarantee a given growth rate in state revenue on the basis of stimulating the development of production and improving economic results? Recently, this reporter visited the tax departments of Zhejiang Province. In the five years from 1978 to 1982, tax revenue doubled for this province. Its revenue from industrial and commercial taxes from January to June this year also reached the highest level of the country.

Why is the business of tax collection handled relatively well in Zhejiang? What is its experience like? A comrade of a provincial tax department told this reporter that taxes are to be passed on to the national treasury. The organization of state revenue through taxation sometimes involves certain clashes with local interests. We must cultivate an overall point of view and a sense of the legal system.

In the past several years, to enliven the economy and accelerate the development of light and textile industries, Zhejiang once adopted certain flexible measures within the limits of the tax policy.

In the three years from 1980 to 1982, the whole province reduced taxes to a total amount of 180 million yuan. In the same period, the whole province's tax revenue rose from 1.88 billion yuan to more than 2.5 billion yuan. But as things now stand, as far as some of the tax reduction measures taken are concerned, it seems that not enough consideration was given to the economic interests of the whole society. For example, as far as the partial interests of a locality are concerned, for the four major items of bicycles, sewing machines, clocks and wristwatches, it is hoped that there can be more tax concessions to accelerate their development. But as far as the whole situation is concerned, these durable consumer goods must be produced at fixed points to meet quality requirements and cannot be developed blindly. So, now all these items are no longer on the tax reduction list. Some

people hold the view that it seems that only tax reduction can help support production and enliven the economy. This is a one-sided view. In fact, taxation based on the law is aimed at raising funds for the modernization of the country. This provides still greater support for production.

In the past 2 years, the whole province has sorted out cases of tax evasion and arrears in tax payments and started a province-wide investigation of matters of tax collection. Last year, on the basis of self-investigation by various areas, the provincial [tax] bureau again organized forces to concentrate on inspecting the business of tax collection in certain cities and counties. According to statistics by 54 cities and counties, more than 1,900 cases were discovered--cases in which the taxation policy was defied, taxes were not levied where they should be, tax allowances were freely claimed, the tax control system was not respected, and so on and so forth. Taxes that should have been collected in these cases reached more than 29 million yuan. By making an inspection, the Zhejiang tax departments at various levels have now respectively handled these cases in line with policy requirements, demanding tax payments where they are due and making such corrections as are required.

To counter such problems as discovered in the business of controlling tax collection, the tax departments at all levels have also taken proper measures. Not long ago, the province began the registration of taxpayers. More than 84,000 individuals, over 90,000 collective units, and 10,000-plus units owned by the whole people were registered for taxation purposes. It was discovered that more than 5,200 cases had overlooked on taxation. The tax departments at all levels also strengthened control over taxation sources and energetically organized the collection of taxes in scattered cases. Several years ago, after the resumption of a market in agricultural and sideline products, the city of Hangzhou failed to levy taxes on relevant traders. The tax officials penetratingly investigated and studied agricultural trade markets in such places as the Xincheng Road, the Hongxing Road, the city railway station, and so forth. They suggested that taxes be imposed on traders in the agricultural and sideline products market. This was approved by the higher authorities. From November last year to May this year, the agricultural and sideline products markets throughout the city accounted for an increase of more than 240,000 yuan in taxes for the state.

The tax departments of Zhejiang Province hold that to do a good job of tax collection, the people's governments at all levels must strengthen leadership and support tax cadres in righteously demanding tax payments according to the law. The relevant departments have solemnly handled a number of serious cases involving evasion of taxes and open refusal to pay taxes. For example, eight enterprises under the No. 2 light industrial bureau of Leqing County evaded paying taxes totaling 1.209 million yuan. After this was discovered, a deputy director of the No. 2 light industrial bureau of the county responded with resistance and obstructive efforts striking vengeful blows at those people who made the accusation. Now, this case has been solemnly dealt with. The deputy director of the bureau has been relieved of his duties and subjected to an investigation. Taxes that should have been paid by the eight units are to be paid to the national treasury within a stipulated period of time. Meanwhile, those people who provided information about this case have been cited accordingly.

FINANCE AND BANKING

SUBSTITUTION OF TAX PAYMENT FOR PROFIT DELIVERY IN FUJIAN

Fuzhou FUJIAN RIBAO in Chinese 17 Apr 83 p 1 & p 4

[Article by the Business Administration Office of the Provincial Economic Commission: "State-Operated Enterprises Must Actively Put 'Substitution of Tax Payment for Profit Delivery' Into Practice. The Provincial Industry and Transportation Work Conference Has Made a Conscientious Study of the Significance, Function, Principles and Methods and Steps of This Great Restructuring"]

[Text] The Provincial Industry and Transportation Work Conference that was concluded on the 14th made the following resolution: In accordance with the request of the CCP Central Committee, substitution of tax payment for profit delivery is to be implemented on a comprehensive basis in state-operated enterprises beginning on 1 June of this year. On the basis of conditions in our province, all enterprises that have already implemented various types of contracting systems that can be converted must convert to the method of substituting tax payment for profit delivery. The small number of enterprises that would find it difficult to make the change and that have made reasonable guarantees that the state will obtain the larger share may temporarily delay making the change until next year upon approval by the state.

The change from profit delivery to income tax payment by state-operated enterprises is a major restructuring of economic management systems. After substitution of tax payments for profit delivery has been completely implemented, the tax rate will be fixed and relationships between enterprises and the state will also be fixed. If an enterprise does a good job, it will get more; if it does a poor job, it will get less. This will be beneficial in perfecting the enterprise economic responsibility system, in increasing economic effectiveness and in eliminating the evil of "sharing the same pot." It will also be beneficial in dealing correctly with the relationships among the state, enterprises and workers. That is, it will result in stable growth of state financial income, concentration of funds and guarantee of the requirements of key construction. It will also result in the personnel of enterprises having a good idea of what is going on, in the stable increase in benefits obtained through increase in income, in enterprises not having to hand over profits to the state again, in the state levying taxes according to law and in avoiding various

unnecessary contradictions. It will be beneficial in coordinating other economic restructurings, in gradually breaking down the boundaries between regions and departments and in readjusting the structures of enterprises and in rationally organizing production in accordance with objective economic laws. It will be advantageous in allowing the state to use the economic lever of tax revenues to bring its functions of allocating production and distribution into play to encourage the advanced and spur on the backward. At the same time, it will also further restructure financial management systems and through differentiation of types of taxes will provide the conditions for gradually establishing new systems for differentiating central and local financial income. At present, we have taken the first step in substituting tax payments for profit delivery, with tax payment and profit delivery both being applied temporarily. However, the proportion accounted for by tax revenues has already increased greatly. As substitution of tax payments for profit delivery progresses, its effects should come more and more clearly into play.

At the conference, it was recognized that the general principle for implementing substitution of tax payments for profit delivery is to do a good job of handling the relationships of the interests among the three components of the state, enterprises and workers and staff so that the state truly get the greater part, the enterprise gets a medium amount and the individual gets the lesser amount. Having the state get the larger part means that the state gets the larger part indicates that the state gets the larger part of the new increased income that the enterprise receives each year. It does not mean that the larger part to be obtained by the state is calculated by adding the financial income that the enterprise originally handed over to the state to the new increased income. In distribution of financial resources, the principle of "no yielding without pushing" should be implemented. The rational retained profits that enterprises should obtain should be protected and excessively high or irrational retained profits should be adjusted. We cannot completely guarantee "vested interests" or prevent dispersion of new financial resources. An income tax of 55 percent will be levied against large and medium-scale state-operated enterprises. Surplus profits will be dealt with primarily by levy by the regulated taxation method. In the case of small scale state-operated enterprises, the income tax levy is calculated on the basis of eight grades of excess accumulation and taxes are relieved on exclusive fixed capital expenses. When retained profits are excessive, a number of contracting fees must be collected or a portion must be paid to the state on the basis of fixed amounts. The method for differentiating small scale industrial enterprises is to apply a standard on the basis of an original value of fixed capital of under 1 million 500 thousand yuan and of an annual profit of less than 200 thousand yuan. The scope of implementation of substitution of tax payments for profit delivery includes all state-operated enterprises, for which implementation is mandatory, except for such enterprises as war production, postal and telecommunications, foreign trade, grain, agriculture and animal husbandry, labor reform and small county-operated hydroelectric enterprises which are temporarily exempted.

At the conference, it was pointed out that at the same time that relationships between enterprises and the state are resolved and substitution of tax payments for profit delivery is implemented, it will also be necessary to do a good job of managing the internal economic responsibility systems of enterprises, of actively restructuring the wage and reward system and of further implementing the principle of distribution according to work. Under the prerequisite that total wages are not surmounted, enterprises can try out internal floating wages. However the proportion of basic wages account for by floating wages should be appropriate. Further, a sound examination and control system should be established, with money awards being granted to enterprises with good economic effectiveness. At first, a method can be implemented in which money awards are coupled with payment of profits and taxes to the state. That is, a "one-hundred yuan award ratio" can be calculated on the basis of the money award issued the previous year and of the profit and taxes paid to the state and the money award can be varied as the amount of profit and taxes paid to the state increases or decreases.

At the conference, it was stressed that diligence should be rewarded and laziness should be punished during the course of implementing substituting of tax payments for profit delivery. Rigorous demands must be made on enterprises to do a conscientious job of dealing with the relationships among responsibility, rights and benefits. That is, enterprises should be dealt with vigorously and pressure should be applied to enterprises in order to stimulate enterprises to improve business management, expand production and raise their effectiveness in order to make greater contributions to the state.

10019

CSO: 4006/536

FINANCE AND BANKING

BRIEFS

GUANGDONG RURAL SAVINGS INCREASE--Since the beginning of this year, rural savings in Guangdong Province have increased. By the end of June, the amount of savings in the rural areas throughout the province was 3,881,890,000 yuan, 615,810,000 yuan more than at the end of last year. The per-capita savings of population in the rural areas throughout the province was 85.5 yuan.

[Summary] [HK161510 Guangzhou Guangdong Provincial Service in Mandarin 2300 GMT 3 Aug 83 HK]

LIAONING INCOME TAXES--As of 20 July, some 3,939 state enterprises in Liaoning Province had delivered income taxes to the state, 78 percent of the province's total number of state enterprises. From 1 June to 20 July 1983, these enterprises delivered 500.2 million yuan of income taxes to the state treasury. [Excerpt] [Shenyang LIAONING RIBAO in Chinese 5 Aug 83 p 1 SK]

CSO: 4006/794

MINERAL RESOURCES

BRIEFS

SHANXI GRANITE MINE--In Lingqiu County, Shanxi Province, a granite mine with a reserve of 1 billion cubic meters was discovered around Duyu commune. According to some foreign businessmen, the quality of the Lingqiu granite can complete with the famous Italian or Indian granite. Recently, responsible persons of the provincial foreign trade department and hardware and mineral products import corporation and responsible persons of the prefectural foreign trade departments went to the granite mining area to ascertain the mining and processing situation. They also discussed with county and commune leaders on the problems in production in an effort to fulfill this year's export target. [Excerpts] [SK242239 Taiyuan SHANXI RIBAO in Chinese 23 Jul 83 p 1 SK]

CSO: 4006/794

INDUSTRY

BRIEFS

IRON PROJECT EXPANSION--Shenyang, 20 Aug (XINHUA)--The Benxi Iron and Steel Company, China's largest commercial iron producer, has started an expansion project to boost mining capacity. Iron deposits in the Benxi area are verified at more than 1,300 million tons, enough to last 100 years. Low in foreign substances, the company's iron is ideal for producing high-grade castings. During expansion the company also plans to update iron making processes and improve service facilities and environmental protection. When the project is completed in 1990, the iron output of the company will have risen 25 percent to reach 3.75 million tons a year. [Text] [OW201147 Beijing XINHUA in English 0730 GMT 20 Aug 83 OW]

WHOLE-SET EQUIPMENT PURCHASES--The first national meeting on arrangements for the production on whole-set equipment in 1984 closed in Fuzhou on 25 August after five days in session. The meeting decided that the first batch of the production for next year will include 508 items of whole-set equipment and 42 items of key construction projects for petroleum, metallurgy, transport, railways, chemical, and 21 other industries. During the five-day negotiations, provinces, municipalities, and autonomous regions throughout the country have signed contracts to purchase 36 kinds of equipment from Fujian amounting to 8.4 million yuan. This is the largest purchase of whole-set equipment from Fujian by other provinces in recent years.

CSO: 4006/794

CONSTRUCTION

PROVINCIAL CAPITAL CONSTRUCTION EXCEEDS NORMS

Chengdu SICHUAN RIBAO in Chinese 7 Jul 83 p 1

[Article by staff reporter Lou Qiancong [2869 0578 1461]: "Provincial Government Issues Emergency Notice Requesting All Localities to Ensure Key Construction Projects and Strictly Control Investments in Capital Construction"]

[Text] Since our province implemented the policy of national economic readjustment, the scale of investments in capital construction in the budget for the entire province has been cut down and controlled. However, investments of the extra-budgetary funds of local authorities in capital construction within the last 3 consecutive years has exceeded the norms set up as controls in the state plan. In the first 5 months of this year, the investment of own funds by the whole province fulfilled 64.9 percent of the annual plan. By forecasting according to what has already become apparent and according to the present rate of progress, by the end of this year the investments of one's own funds in capital construction will be more than double the state plan figure. Recently the provincial government issued an emergency notice on ensuring key construction projects and on strict control of investments for capital construction, especially to control the scale of investments of one's own funds in capital construction, and issued a set of specific regulations of several articles.

This year all items of capital construction that are being planned out of various funds in the various areas and departments of our province will be incorporated into the plan and subject to its control; no new openings for such projects shall be created. According to the specification contained in a joint notification of the State Planning Commission and three other departments, that "the scale of capital construction comprises all amounts of work of units owned by the whole people planned in the same year using various funds, and also comprises all amounts of work deferred from the preceding year and work to be completed with material and equipment in storage," all localities and departments must take measures to cut down the scale of investments to within the control norms set by the provincial authorities, and all extra-plan capital construction must definitely be stopped. Those who insist on carrying on such projects must first deduct 30 percent from their deposit account for payment to the provincial finance bureau. In future, whenever approval is given for such work projects without proper authorization, funds at the free disposal of the unit concerned shall be frozen, and the finance bureau at the particular locality shall be held responsible to transfer the funds to the provincial treasury.

All localities and departments must immediately carry out a one-time comprehensive checkup and reassessment of all items now in progress that are arranged from out of budgetary and extra-budgetary funds or bank loans and according to the varying conditions align the projects in order of importance and urgency.

Establishment of a responsibility system for the investigation of capital construction. The localities and departments must register all items of construction for which funds were provided by themselves from various sources and prepare a register, which must be checked and endorsed by the local authorities and departments in charge and submitted to the provincial planning and economic committees to examine and keep on record. For each construction project and at every stage of the examination and approval procedure, there must be one person bearing full responsibility. From now on, whenever an item of capital construction is taken into production and proves not up to standards as to raw materials, other materials or as an energy source, or if the products cannot be marketed and heavy waste and loss is incurred, the unit or responsible person shall be subjected to an investigation as to economic responsibility.

In future, the planning department shall be charged with formulating policy decisions, based on technological and economic arguments, and these decisions shall be jointly examined and decided upon by the finance, banking and materials departments. No single person shall have the right to decide on new items of capital construction, otherwise all serious consequences shall be the responsibility of the person that has approved them.

9808

CSO: 4006/700

CONSTRUCTION

CPC WORK CONFERENCE HELD ON KEY PROJECTS

HK010617 Kunming Yunnan Provincial Service in Mandarin 1100 GMT 31 Aug 83

[Summary] "The Yunnan Provincial CPC Committee held a work conference from 24 to 30 August to relay the spirit of the recent important instruction of the CPC Central Committee on concentrating financial and material resources on key construction projects and to discuss how to execute this major strategic measure in light of the specific conditions in our province."

The meeting held that we should stand on the high plane of achieving the grand objective set forth by the 12th CPC National Congress in understanding the importance of concentrating financial and material resources on key construction projects and achieve political unanimity with the CPC Central Committee.

"In implementing the instruction of the CPC Central Committee, there should be practical actions. The meeting deemed it necessary to do a good job of the following points: 1) Continue to put a resolute stop to the unhealthy practices of indiscriminate raising of the prices of the means of production and exacting charges from key construction units and strive to carry it out resolutely and thoroughly to the end; 2) first ensure the construction of the central key projects in our province and then the construction of the provincial key projects; 3) straighten out the projects under construction to determine whether it is necessary to carry on with the projects or to stop them; 4) fulfill not only the task of pooling resources assigned by the CPC Central Committee but also try every possible means to develop the economy in our province steadily; 5) broaden sources of income, reduce expenditure, and increase revenue; launch a general inspection of financial affairs in order to plug up loopholes. While vigorously supporting key construction projects, we should conscientiously reduce the irrational burdens of peasants; 6) carry on with the reforms already started and make continuous progress. However, we should not infringe upon the legitimate rights and interests of workers and staff members; and 7) attach importance to pricing and market work and adhere to the principle of the leading role of planned economy and the supplementary role of regulation by market mechanism.

"The provincial CPC committee work conference pointed out: It is necessary to do a good job of the projects vital to Yunnan's economic situation as a

whole. 1) We should develop agriculture, forestry, and animal husbandry. We should continue to do a good job of distributing barren hills for private use and contracting hills to groups or individuals for their development. This is a major measure in agriculture. We should have a firm grasp on autumn harvest, grow well the crops sown in late autumn, and persist in fighting natural disasters to help ourselves. 2) We should do a good job of local energy construction projects and adopt the principle of simultaneous development of big, medium-sized, and small projects by the state, localities, and collectives. 3) We should develop highway construction. This is also an important strategic question in developing commodity production. 4) We should attach importance to the development of intellectual resources by starting with educational work.

"The meeting said that continued efforts should be made to conduct institutional reform in order to ensure that the ranks of the cadres become more revolutionary, younger in average age, better educated, and more professionally competent. New leading bodies should have new ideas and work styles and rectify their ideological line. The whole party should unite as one and make concerted efforts to open up a new situation in socialist construction."

The meeting was attended by 139 persons, including party and government leaders at the provincial level, secretaries of the prefectural and city CPC committees, commissioners, heads of autonomous prefectures, mayors, and responsible members of various provincial departments.

CSO: 4006/795

DOMESTIC TRADE

PROTECTING INTERESTS OF SUPPLY, MARKETING COOPERATIVES URGED

Beijing JINGJI RIBAO in Chinese 22 Apr 83 p 2

[Article: "System Reform Must Not be Used to Infringe Upon the Interests of Supply and Marketing Cooperatives. Violation of Party Policy in Some Regions and by Some Departments Must be Redressed"]

[Text] This reporter has learned from concerned departments that at present there are some departments and units that are using the occasion of system reform in supply and marketing cooperatives either to dismember supply and marketing cooperatives, to force commune members to become shareholders or to take over control of election of basic level cooperative leadership groups. This is in strict violation of Party policy and has aroused intense dissatisfaction on the part of the masses.

There have already been many cases of the use of such methods as merging and structural reorganization to dismember supply and marketing cooperatives starting from the narrow interests of a given region or department. In Tonglu County of Zhejiang, the production materials retail department of the basic level supply and marketing cooperative was merged with the commune farm machinery company and the basic level general merchandise and nonstaple food retail departments were incorporated into the commune management department. In the course of restructuring in Sheng County of Zhejiang, the supply and marketing cooperatives that had originally been set up on the basis of economic regions reverted to setting them up according to the location of the communes. For this reason, nine new supply and marketing cooperatives were established in the county as a whole. This opportunity was used to recruit more than two hundred staff members and workers, many of whom were the children or relatives of the local commune members and brigade cadres. In some cases, large portions of the profits that the supply and marketing cooperatives should have paid into the state were appropriated and given to the agriculture, industry and commerce management divisions.

In supply and marketing cooperatives in several regions in Anhui Province, there was an increase in the number of commune members becoming shareholders in which cases matters were not handled on the basis of the principle of an individual voluntarily becoming a shareholder. Rather, the methods of inflexible apportionment and material inducements were used

to force the commune members to become shareholders. In some cases, centralized deductions from money paid for cotton or centralized loans were used to force the peasants to become shareholders. In other cases, it was stipulated that each person would be allowed to buy 22 jin of urea for each share hold as a means of enticing the peasants to become shareholders. The masses were very dissatisfied with this.

In a number of regions there were serious violations of the principles of democratic election in the course of reelecting basic level supply and cooperative leadership groups, with appointments and assignments being made single-handedly by the leaders. During the period of election of leadership groups in the basic-level supply and marketing cooperatives in the Yanji Commune in E County of Hubei, cadres including the chief finance officer issued a list of names for directors and supervisors that they had decided on to all of the staff and workers of the supply and marketing cooperative and asked everyone to "circle" their names for election. When elections were held in the Yuanji Supply and Marketing Cooperative in Huaiyin County of Jaingsu, the county cooperative sent someone to serve as the candidate for director. When the staff and workers of the basic level cooperative did not vote for him, conversations were held with them in which they were threatened.

In some regions, advantage has been taken of the occasion of the supply and marketing cooperatives convening cooperative representatives meetings to eat and drink to excess and to engage in waste and extravagance. This has had a very bad effect among the masses. Under the pretext of convening a "cooperatives representatives meeting," the Nandu Supply and Marketing Cooperative in Piaoyang County of Jiangsu put on a twenty-table feast. Twenty-six basic level cooperatives in E County of Hubei spent 80,000 yuan on food and drink for a "cooperatives representatives conference."

10019

CSO: 4006/536

DOMESTIC TRADE

CONTROL OF BEIJING'S INDIVIDUAL TRADERS ADVOCATED

Beijing SHICHANG in Chinese 4 Jul 83 p 1

[Article by Liu Guosheng [0491 0948 0524] and Zhang Yan [1728 1484]: "Good Control is the Only True Progress: A Stroll through Beijing's Individual Traders' Market"]

[Text] On the streets of Beijing there are a few individual traders whose business philosophies are improper, especially unlicensed traders who entertain hopes of profiteering, fraudulently buy up goods in tight supply and great demand, wantonly sell at high prices, cheat the masses, disturb the market, adversely affect social order and the people's standard of living, and have evoked complaints from and dissatisfaction among the masses.

Why have these problems arisen?

Unconscientious Control Does Not Constitute True Progress

For several years, the development of Beijing's individual economy was sluggish and there were very few traders on the streets of the city proper. Although vendors set up stands, basically they did not evolve into an individual trading market. During the last half of last year, however, large-scale growth in Beijing's individual trade began. From January through April of this year, there was an increase of 7,246 new individual trading households, involving 8,422 people. This increase is 93.2 percent greater than the total for all last year. Including previous traders, there are now 15,008 licensed trading households, engaging over 18,154 people and including more than 4,880 vehicles peddling general merchandise and fruit. Many vendors have hit the streets, but control measures have failed to keep pace. According to statistics, there are only 56 cadres in the city proper who are responsible for controlling individual traders. During the peak period of applications for business licenses over several hundred persons in the entire municipality waited each day to complete application procedures, and the cadres could only handle the investigation of applications and distributions of licenses. Thus traders were basically left uncontrolled. The municipal people's government has already approved the establishment of 49 trading markets. But since most of these designated sites are rather remote, individual traders did not proceed to them to carry on their businesses. The Xicheng District provided six general trading markets, but not a single trader went to them to sell his goods. Instead, traders all

swarmed into the busy urban areas and crowded streets, thus providing an excellent opportunity for the illegal activities of unlicensed traders. According to an investigation made on 2 May, 12 of 19 vendors with vehicles in the vicinity of Tiatan Market were discovered to be unlicensed, a ratio of 60 percent. Among 279 unlicensed traders discovered in Chongwen District during April, 115 were engaged in illegal activities.

There Is a Big Difference Between Control and the Lack Thereof

There are also some sectors of Beijing in which control has been relatively good. In these areas, the relevant departments have transferred a certain amount of manpower to control the marketplace. Qianmen dong dajie is a street on which many traders congregate, and on several occasions illegal resales, fights and beatings have been discovered there. After the Chongwen District sent more than 100 people out to bring the place under control, the situation took a turn for the better. In the past, more than 300 traders often gathered at both sides of the main gate of the zoo, causing much disorder. Subsequently, the industrial and commercial departments of the Xicheng District rectified the situation and set aside a place for traders to set up their stalls on the west side of the exhibition hall parking lot, directly across the street from the zoo. Not only was order thus restored at the zoo entrance, but a new trading market began to take shape. Obviously, there is a big difference between control and the lack thereof.

From the changes that have occurred in the above places, we can see the need for strengthening the ranks of control personnel. But, after all, the temporary transfer of such personnel from various departments is only an emergency measure. Once this personnel is recalled to its original unit the traders' market will sink once again into an uncontrolled state. Furthermore, Beijing's self-employed workers and traders are engaged in the eight major professions of commerce, handicrafts, repair work, restaurants, service trades, clothing alterations and mending, house repairs and transport, involving over 150 different crafts. In order to supervise this large number of crafts, we need a corps of workers who are conversant with trade. This is especially necessary in the case of new individual traders, of which 89 percent are youths, among whom are some elements that have been released from labor reeducation reformatories and whose ideological education still needs strengthening. Thus to do their work well, the control personnel must also include cadres who have a relatively high level of understanding of policy and who are good at ideological work.

The Purpose of Control Is to Invigorate

The purpose of strengthening control of individual traders is not to stifle but to invigorate them. Some cadres say, "In the past we had experience only with stifling not invigorating control." One can find experience in invigorating control only through practice. What invigorating control means is to give full play to the individual economy's role of supplementing the state and collective sectors.

Taking, for example, the traders' market, the parties concerned have engaged in numerous disputes over this issue. We believe that we must encourage individual traders who have attained sufficient scale to open small shops on streets and in residential areas and that we must provide markets in suitable places as bases for traders' activities. The establishment of traders' markets must consider both the traders' business and residents' convenience. If the site is too remote, the sellers will not come and the buyers will not go, and thus a market will never emerge. Traders will flock to busy urban districts, making these even busier, while areas without commercial network outlets will continue to lack them. Thus such sites will fail to perform the function of making up deficiencies. This work requires overall planning and arrangements by the municipal government and activism and cooperation by all parties. If we continue as before, with the administrative departments in charge of industry and commerce selecting relatively suitable sites, while the other departments veto such sites for reasons of transportation, city planning, environment or sanitation, markets will never be established.

Returning to the question of individual trades, there are too few restaurant businesses, clothing altering and mending and repair trades in Beijing, and there is an even greater shortage of labor services. Thus the development of these trades should receive emphasis. Consequently, we must adopt measures to help young people accept the idea of long-term engagement in commerce and the service industry and to provide opportunities for them to learn trade skills.

With respect to the control of individual traders, the masses' greatest desire is to see prices controlled. Many have complained about individual traders, because a few of the latter fraudulently buy up goods in tight supply and meet demand for sale at exorbitant prices. These elements not only do not provide convenience for the masses, they even harm consumers' interests. People universally demand that the municipal government adopt measures in accordance with national price policy to control traders' sales prices. Consumers will not be satisfied until buying and selling are equitable. And this type of development is the only true development.

12431

CSO: 4006/728

DOMESTIC TRADE

BRIEFS

JILIN LOCAL PRODUCTS--By the end of July 1983, Jilin Province had procured 217.09 million yuan worth of local products, an increase of 13 percent over the corresponding 1982 period. Some 110.12 million yuan worth of local products were exported to other provinces, an increase of 6 percent over the same period of 1982. [Excerpt] [Changchun Jilin Provincial Service in Mandarin 1030 GMT 23 Aug 83 SK]

CSO: 4006/795

FOREIGN TRADE

EFFECTIVE UTILIZATION OF FOREIGN EXCHANGE

Shanghai SHIJIE JINGJI DAOBAO in Chinese 18 Apr 83 p 3

[Article by Cao Yang [2580 7122] of the Shanghai Municipal Planning Commission: "How Should Foreign Exchange be Managed?"]

[Text] Over the past two years a fairly large surplus has arisen because of input-export trade, with our nation going from a shortage of foreign exchange to an abundance. Originally, the problem was one of devising means to raise foreign exchange. Now it is how to use the foreign exchange that we have. This massive increase in foreign exchange income is very beneficial to an economically backward nation and to a nation such as ours requiring massive amounts of foreign exchange for economic development. For this reason, the question to which we must give conscientious consideration is how to fully utilize the characteristics of a world economy that has not yet recovered and how to use our nation's foreign exchange so that it will work to the best advantage in furthering the building of our national economy. Otherwise, we may lose a good opportunity. To this end, I believe that we must make a rational decision about the direction of flow of foreign exchange.

First, we should increase the amount of foreign exchange that it is put into technological renovation and technological transformation in order to accelerate the increase the productive capacity of our nation. According to estimates, each 100 million dollars put into introducing technical equipment for the technological transformation of enterprises at present in Shanghai produces 800 million yuan and 200 million in industrial and commercial taxes. In other words, each \$100 million invested in technological transformation causes the total annual output value of industry in Shanghai to increase 1.2 percent. If \$400 million is invested, the total annual output value for Shanghai increases 4.8 percent. This would double the annual growth rate for Shanghai. At the moment, there is an economic crisis in the West and there is a large surplus of advanced technological equipment and materials, with sales being made at cut prices. At this time, importing is very favorable in terms of prices and a comparatively great amount of technological transformation can be achieved with a relatively small amount of foreign exchange.

Second, we should pay back some of our high interest loans in advance. Our nation still has a few loans that have not been paid back. These loans are a burden on our nation's finances. Loans can be paid back in advance in accordance with international practice. Our nation is at present in a "rather comfortable financial condition" and we have comparatively large foreign exchange reserves. Therefore, we can consider consulting with foreign merchants about paying back some of our high interest loans in advance and about converting some of our loans with long-term payments to immediate payment in order to reduce our interest expenditures.

Third, we should gradually begin moving into foreign investment. Most recently, our government for the first time made an announcement about investing abroad. This could not only result in our nation obtaining a fairly large profit on its foreign exchange but it could also result in a corps of administrators and managers being trained for the nation through foreign investment. If we invest in products which our nation needs to import in large quantities, the nation can also benefit from imports.

Fourth, we should strive to seize upon the opportune moments advantageous for purchasing in buying the raw materials that we need urgently for production and daily necessities that we do not produce in sufficient quantities. At present, there is an overall upsurge in light and heavy industry in our country and there is a very great gap in goods and materials that affects production and capital construction. Foreign exchange is a commodity with which we can purchase products that are in short supply.

In order to bring our nation's foreign exchange more into play, we should make good estimates and forecasts of our nation's foreign exchange income. We should make comprehensive arrangements and plans concerning the direction of our foreign exchange expenditures. There should be strict inspection and supervision of the use of foreign exchange. We must have a concept of the time-effectiveness in the use of foreign exchange. Because of the prolonged shortage of foreign exchange in our nation, we do not know how to handle the present increase in foreign exchange with the result that the phenomena of having funds that we cannot use, of having funds for which there are no projects, of having funds which we cannot use up and of laying aside foreign exchange that we cannot use.

As our nation's export trade expands, foreign exchange income will continually increase. Therefore, we must make an effort to increase our nation's capacity to use foreign exchange. Last year, the amount of our nation's loans to foreign countries was greater than the amount that we had borrowed. Making loans to foreign countries is admittedly a method for using foreign exchange and we can obtain fixed interest after having made the loans. However, interest on loans is merely the transfer portion of the profits of production of an enterprise. There is not the least doubt that the accumulation resulting from investment of foreign exchange in production is far greater than the interest obtained from making loans. For this reason, we should consider using as much foreign exchange as

possible of our valuable foreign exchange in making loans to foreign countries. Under conditions in which we have not made full use of our nation's foreign exchange, we must also give attention to limiting large loans from foreign countries and high-interest loans in particular. We must guard against the situation in which we do not use our own money and borrow at high interest from others. In order to increase our nation's foreign exchange capacity, we have an urgent need to build a corp of persons engaged in import work who are proficient in professional work, who have a thorough knowledge of foreign languages and who understand the market. We must establish more routes for importing and speed up the formulation of projects in which foreign exchange can be used and back-up projects in which foreign exchange can be used, selecting the best for the use of our foreign exchange after research on their feasibility has been conducted.

10019

CSO: 4006/536

FOREIGN TRADE

EXPORT OF HEAVY INDUSTRIAL PRODUCTS

Shanghai WEN HUI BAO in Chinese 20 Apr 83 p 1

[Article: "City's Heavy Industry Sector Expands Exports of Products"]

[Text] The city's heavy industrial sector has striven to expand exports of products, with the total amount for exports last year having almost doubled as compared to 1978.

The city's heavy industrial sector has expanded its export of products through organizing attacks on key technical problems and through continual increases in quality. The Shanghai Steel No 1 Plant, which produces steel plate for use in ship manufacture, organized a "triple alliance" among workers, technical personnel and cadres, and, taking international levels as their target, overcame more than 20 key problems in the areas of technology and equipment, obtaining an International Workers Classification Certificate of Approval allowing steel plate for ships produced in this country to be used in manufacturing export ships and to be exported abroad. The Shanghai Steel No 3 Plant, which produces threaded steel products, persevered in organizing an attack on key problems in accordance with export standards, increasing the tensile strength of their products and further expanding exports of products. Through these efforts, the Metallurgy Bureau more than doubled its exports of steel materials as compared to 1978.

Through active expansion of types of products, the machinery and electrical equipment industry has improved its business service work and has expanded its exports of products. The First Machinery and Electrical Equipment Bureau exported only 100 varieties of products in 1978. By 1982, this had increased to over 300 varieties, with the amount of exchange created increasing by 1.7 times, an average annual increase of 28.1 percent. After the Shanghai Machine Tool Plant obtained permission to engage directly in foreign trade, it intensified its investigation and research of international markets, and, on the basis of the requirements of foreign commerce, made many improvements in such aspects of their machine tools as their structure, performance, materials painting and external shape and increased its varieties of export products from 13 to 25. It also performed installation and debugging for its consumers and took the

initiative in training operating personnel for the consumers. Its product lines are sold in more than 10 countries and regions and have gained prestige in the markets of Europe and the United States. In three years, the amount of exports has increased more than two times. The number of agreements signed with foreign merchants for products so far this year as well as the number of machine tools and the amount of exports has already exceeded the levels for all of last year.

The Shanghai Ship Industry Company, which integrated organization of production, sales, scientific research and design and which also integrated the administration and management of its import and export services, has signed a large number of export contracts for boats with foreign merchants, with more than ten already having been delivered. This year, they plan to deliver more than 20 ships for export.

With the increase in export of heavy industrial products, new changes have developed in the overall makeup of the city's export products. Last year, the proportion of the city's exports accounted for by heavy industry increased from 12.3 percent in 1978 to 19.6 percent.

10019

CSO: 4006/536

FOREIGN TRADE

CALLS AT FORUM FOR COMMERCIAL ROLE FOR GUANGZHOU

HK310357 Shanghai SHIJIE JINGJI DAOBAO in Chinese 8 Aug 83 p 2

[Report by SHIJIE JINGJI DAOBAO reporter Wu Qigang [0702 0796 0474]:
"Guangzhou is About to Become an International Commercial City"]

[Text] Tong Dalin, general secretary of the society for the study of the reform of China's economic system and adviser to the society for the study of China's future, advocates the development of Guangzhou into an international commercial city and that this effort should be combined with tourism in order to turn Guangzhou into a high-class consumer city.

Tong Dalin said that the "catering industry" has become an important industry in the world. In 1978, the volume of business for Japan's catering industry was 10,000 billion yen, which was even larger than the volume of business for automobile manufacturing. Automobile manufacturing used to be the most important industry in Japan. If we want to turn Guangzhou into an international commercial city, it is necessary to develop the "catering industry" and to make Guangzhou a "big restaurant of the world" in order to attract foreign tourists to spend at least half of their money on "eating in Guangzhou." It is not only necessary to make people eat in Guangzhou but also necessary to make people "dress in Guangzhou." In the past, Paris was the fashion center of the world. Later, Paris was replaced by New York. In the future, the fashion center will move to China and Shanghai and Guangzhou will become fashion centers. People have said that Guangzhou will establish a "consumer economics institute." This institute will study problems such as how many pairs of shoes one wears in one's life. Such problems are really worth studying. In Guangzhou, there is a "south" (Nanfang Mansion Hotel) and an "east" (Dongfang Guest House). If all people run their business in the same way the two hotels do, certainly there will be great changes in Guangzhou.

Tong Dalin put forward his ideas when people had an "informal discussion on the Zhujiang River Delta" at the "forum on the problem of giving full play to Guangzhou's role as a key city" held in late July. He thought that the economic structure and economic configuration of the Zhujiang River Delta should meet the demands of the world and domestic markets. In addition, it is necessary to turn Guangzhou into a center for international scientific and technological exchanges, to turn new technologies into new industries, and to popularize imported technologies in more places in the country.

At the same forum, Wu Youheng, chief editor of YANGCHENG WANBAO, recalled that before the "Great Cultural Revolution," when he was a secretary of the Guangzhou CPC Committee, he had personally drafted documents on transforming Guangzhou from a consumer city to a production city. He said that at that time, people were only concerned with production, but not circulation, and they had erroneously regarded the greater ratio of Guangzhou's commerce to its industry as a malpractice and had greatly reduced the commercial network. At a result, they were punished by economic laws.

Wu Youhang said that as far as the actual circumstances of Guangzhou are concerned, Guangzhou is essentially a key economic city only in the commercial sense but not in the industrial sense. Since the Tang and the Song Dynasties, Guangzhou has been a major foreign trade and domestic trade port. At present, Guangzhou is still an important commercial port. Now that we are concerned with reforms of the economic system, we should begin with reforms of the commercial system and revitalize its commerce. Thereafter, the whole of Guangzhou will also be revitalized. In other words, in order to give full play to Guangzhou's role as a key city, it is necessary to focus our attention on commerce.

CSO: 4006/794

FOREIGN TRADE

BRIEFS

COMMUNICATIONS NETWORK IN SHENZHEN--Shenzhen, 29 Aug (XINHUA correspondent Wang Zhenhua)--Shenzhen special economic zone in Guangdong Province is building a micro-communications network to service the exploration of petroleum resources in the South China Sea. Three micro-communications towers, four micro-wave antennas and six short-wave antennas have been put up on a hill about 200 meters above sea level, according to Shenzhen Municipal authorities. The towers are 16 meters and the antennas, 34 meters. Other projects now underway for the same purpose include a heliport to accommodate 40 helicopters, and the Chiwan offshore oil exploration facility. The facility consists of a deep water dock and storage yards covering 25 hectares. [Text] [OW291142 Beijing XINHUA in English 1119 GMT 29 Aug 83]

GUANGXI PREFECTURE'S EXPORTS--With the approval of the Ministry of Foreign Economic Relations and Trade, Guangxi region recently set up a comprehensive export commodity production base in Yulin Prefecture, the first one in the region. At present, the prefectural CPC committee and commissioner's office are taking measures to step up the production of marketable products for export purposes. Moreover, they have formulated a long-range plan for developing exported commodity production in addition to the 1984 and 1985 plans. [Summary] [Nanning Guangxi Regional Service in Mandarin 1130 GMT 15 Aug 83 HK]

QINGHAI EXPORTED COMMODITIES EXHIBITION--The preparatory work for the first Qinghai provincial export commodities exhibition has been completed. The exhibition group of 34 people left Xining for Hong Kong on 10 August. The commodities to be exhibited include some 1,800 products of some 430 kinds of 10 categories, namely: food, native medicinal herbs, cereals and oil, metals, electrical appliances, light industrial products, textiles, handicraft articles, machines, and mechanical equipment. [Summary] [Xining Qinghai Provincial Service in Mandarin 1100 GMT 16 Aug 83 HK]

CSO: 4006/794

TRANSPORTATION

BRIEFS

HEILONGJIANG NAVIGATION ADMINISTRATIVE BUREAU--The State Council recently approved the renaming of the former Heilongjiang Provincial Navigation Administrative Bureau as the Heilongjiang Navigation Administrative Bureau of the Ministry of Communications, which is to implement the management system of dual leadership by the Ministry of Communications and Heilongjiang Province with the former as the main. After the reform of the system, the bureau serves both as an enterprise directly under the Ministry of Communications and as a navigation department of the Ministry of Communications and the Heilongjiang Provincial People's Government responsible for overall planning for the province's navigation courses, for supervision over harbors and navigation and for local navigation enterprises. [Text] [SK261208 Harbin HEILONGJIANG RIBAO in Chinese 25 Jul 83 p 1 SK]

TIANJIN GRAIN WHARF--Tianjin, 11 Aug (XINHUA)--Tianjin's grain wharf will be modernized with advanced British equipment, according to the Tianjin Harbor Administration. The refitting, listed as one of China's priority revamping projects, will require an investment of 70 million yuan. Equipment will be imported from Simon-Carves Limited. An 11-person Chinese delegation is leaving Beijing for Britain today to examine the equipment. Modernization of the grain wharf will be completed in 1985. Upon completion, the wharf will be able to handle 3.5 million tons of grain, one million tons up on its present annual capacity. [Text] [OW131447 Beijing XINHUA in English 1204 GMT 11 Aug 83 OW]

CSO: 4020/113

GENERAL

BRIEFS

GUANGDONG HIRE COMPANY--The Guangdong Provincial People's Government recently agreed on the establishment of the Guangdong International Hire Company. The company undertakes the business of hiring domestic and foreign machines, equipment, communications and transport apparatuses, electrical appliances, and scientific business. [Summary] [Guangzhou Guangdong Provincial Service in Mandarin 2300 GMT 21 Aug 83 HK]

CSO: 4006/795

HONG KONG'S ECONOMIC FUTURE AFTER CHINA REGAINS SOVEREIGNTY

Guangzhou GANGAO JINGJI in Chinese No 1, Feb 83 pp 8-10

[Article by Li Qiu [7812 5941] posted from Hong Kong on 15 January 1983:
"Hong Kong's 1983 Economic Outlook and Hong Kong's Future"]

[Excerpts] Hong Kong and Macao have always been part of China's territory, the Hong Kong-Macao problem has been left over by history, and when conditions are ripe, solving the problem and regaining sovereignty will be a perfectly justified, natural thing.

In dealing with the problem of Hong Kong's future, when we regain sovereignty we will use the method of "one society, two systems." Hong Kong will be permitted to retain its small-scale capitalist system, and to coexist with the incomparably larger-scale socialist system of the mainland. In this coexistence phase, except for regaining Hong Kong's sovereignty and making it a special administrative area, its social system, people's lives, and economic system will all remain unchanged. As long as Hong Kong can remain prosperous and stable, the outcome will be more favorable to Hong Kong making greater contributions to the motherland's socialist modernization and construction, more favorable to the motherland's future support of Hong Kong, and favorable to Hong Kong's future long-range development.

The present domestic and foreign political situation provides favorable conditions for solving the Hong Kong problem. Since the 3rd Plenary Session of the 11th Central Committee, in all work our country has reinstated correct policies enjoying immense popular support, and the nation has been steadily developing. In the 20 years from 1981 to the end of the century, our country will strive to "triple" the annual total output value of the whole country's industry and agriculture. Having realized this goal, the output of our country's major industrial and agricultural products will rank in the forefront of the world, enabling great progress to be made in the modernization of the whole national economy. At that time, it will undoubtedly support the progress of Hong Kong's economy even more strongly.

To the rear of Hong Kong is the PRC, to the south lies the Asian-Pacific area, which has a large potential for increased trade; externally it is connected with the broad overseas markets, and internally it has an industrial base

linked to almost \$100 billion HK annually in exports; Hong Kong is also an international financial center which has gradually formed since the 70's, and a long-standing free port for the whole world. Along with the regaining of Hong Kong's sovereignty, the prosperity of the motherland's economy, and the development of Hong Kong-China economic relations, Hong Kong's economy not only can continue to maintain its prosperity, but also can achieve developments.

Hong Kong's industry is the most important basis for its prosperity and stability. Industrial development has a decisive effect in maintaining Hong Kong's trade position. For a long time in the past, the Hong Kong-British authorities neglected support of industry. This abnormal situation will definitely be reversed through industrial restructuring and reform with the regaining of sovereignty. Some people have said that no one will invest in an area which has only 15 years to exist (indicating pre-1997 Hong Kong). Once the overall situation is clear, such views will be baseless. Since industrialists can confidently invest in areas such as Shanghai, Beijing and special economic zones, why can't they confidently invest in Hong Kong which in the future will continue to maintain its existing system? In the future, Hong Kong's industry must still stress expansion of overseas export markets, but our country's economic progress provides even broader channels for Hong Kong's industry to initiate a renewed phase. In 1979, Hong Kong made industry more unified, but has not done it thoroughly. Judging from the present, prospects for unification are optimistic.

Hong Kong is regarded as an international financial center, gradually formed through a historical process and under definite conditions. These conditions include the relative stability of its society and politics, its advantageous position in the Asian-Pacific area of being joined to the south and near to the north, free fund turnover, very little interference, relatively low taxes, an extensive financial trade base, modern transportation and communications linking it to all areas of the world, and many opportunities to become wealthy. In preserving the basis of its confidence, these conditions should be able to continue to develop their effects.

The functions of Hong Kong's international financial center are similar to certain major international financial centers, and include long-term fund borrowing and lending, foreign-exchange business, bank savings business, insurance business, a gold market, a negotiable securities market, and a foreign-exchange futures market. Of these, the borrowing and lending business of international groups is very brisk in Hong Kong's capital market. The majority of this credit borrowing and lending in the Asian-Pacific area is arranged through Hong Kong. Bai Liyi [4101 4409 1355] of Hong Kong's Department of Financial Affairs revealed on 15 January that group credit arranged in Hong Kong and supplied for foreign use had reached \$100 billion HK. In the future, even though specific areas may not continue to arrange borrowing and lending in Hong Kong due to political reasons, it is still believed that most of the rest will not be affected. Hong Kong's present daily foreign-exchange business has reached the huge volume of \$6 billion, the highest volume for 1 day has exceeded \$15 billion, and along with the expansion of domestic and

foreign economic relations, and the establishment of the futures exchange market, this business can only increase and cannot disappear. Gold and negotiable securities must maintain business as usual.

Concerning the problem of fund outflow, there have been many alarmist arguments, but up to the present there has not been any reliable data to confirm them. To judge the signs of whether funds are clearly outflowing, it is best to look at bank savings volume. At present, Hong Kong currency savings maintain a level of over \$130 billion HK, and foreign-currency savings continue to increase. The conditions to become wealthy through industry and commerce have existed in Hong Kong in the past, exist in the present and will exist in the future. Similarly, there will be no restrictions on the foreign-exchange market and fund turnover in the future, and thus there is no reason to form a fund-outflow panic psychology. A characteristic of capitalist enterprise is the goal of seeking profits, and wherever there are profits to be made, funds will flow there. Even if there is a temporary outflow, as long as there continue to be profits to make, funds will still flow back.

In all capitalist societies, the real estate business occupies a necessary position. Hong Kong's problem lies in having raised the real estate business to a very inappropriately important position, forming a serious defect in judging the domestic economy, and causing normal industry and commerce and the citizens' lives to be seriously disrupted. This abnormal situation must become a historical anachronism along with the Hong Kong-British high land-price policy, and return to a relatively normal position. As long as the situation continues to exist in Hong Kong of having a small area and many needs, and as long as Hong Kong-China economic relations continue to develop and Hong Kong's economy continues to prosper, Hong Kong's real estate business will still have management prospects.

Since foreign-exchange freedom and the business of gold, futures, negotiable securities and real estate are maintained, it is impossible for there not to be commercial speculation. Capitalism without commercial speculation doesn't exist anywhere in the world. Of course in any relatively normal society, those speculation activities which seriously damage the collective economy and the people's lives, generally cannot exist forever.

From the present to a time when our country regains sovereignty, is part of what people call a transition period. In a transition period, there is also a problem of maintaining prosperity and stability, as well as the problem of alleviating transition difficulties. In order to solve these problems, it is necessary to rely on the cooperation and efforts of all parties.

12/67

CSO: 4006/681

BEHAVIOR OF FOREIGN INVESTMENT IN HONG KONG DETAILED

Guangzhou GANGAO JINGJI in Chinese No 1, Feb 83 pp 10-13

[Text] Foreign Investment Enterprises Still Have Faith in Hong Kong's Economic Development

Under the continued decline of the foreign economy and particularly the U.S. economy, Hong Kong's economy experienced an increasingly large-scale decline in 1982, and some people have some misgivings about Hong Kong's future. But investments by foreign investment enterprises in Hong Kong do not appear to have decreased. Whether in industry, financial business or service enterprises, funds from abroad are still being invested, and this shows that foreign businessmen still have faith in Hong Kong's future and economic development.

Statistics published by Hong Kong's Statistics Office show that there were 1,661 registered overseas investment companies in Hong Kong up to the end of August 1982, an increase of 109 or 7.2 percent over the same period in 1981. Among the very extensive scope of businesses run by registered overseas companies in Hong Kong, the proportion of the manufacturing industry is largest, with approximately 500. In addition, overseas investment companies in Hong Kong also handle banking business, trade and service enterprises.

Hong Kong's Industry and Financial Business Can Still Attract Foreign Investment

Data published by the Hong Kong Government's Industrial Office show that from January to October 1982, 11 foreign-investment factories were officially put into production in Hong Kong. Most of these factories use U.S. capital, and Japanese and Swiss funds are next; among them five produce electronic products and clocks and watches, and two manufacture clothing. Up to the beginning of November, there were 28 overseas single or joint-investment industrial investment plans which had reached a decisive stage, and which can possibly be put into production within 1 or 2 years. Of these partially planned large-scale international enterprises, most are U.S. investment enterprises, three are British, and two are Japanese. To put it briefly, the aforementioned investment plans stress the electronics industry, and mostly use brand-new production methods to manufacture new products, bringing relatively advanced production and management techniques to Hong Kong.

In addition to the increase in actual investment in foreign-investment factories, the number of requests for industrial investment advice received by the Industrial Office in 1982 reached a high of 888, 231 more than the 657 in 1981, an increase of 35 percent.

Recently many people have been discussing the problem of Hong Kong's future, but foreign enterprises investing in Hong Kong's industry have certainly not been affected by the unclearness of its political future, and the total amount of money invested has not decreased but, on the contrary, has increased. Recent statistics of the Industrial Office show that up to the end of 1982, the amount of foreign investment in Hong Kong's industry was over HK \$7.5 billion, an increase of over HK \$530 million or 7.7 percent compared to the end of 1981.

One of the responsibilities of Hong Kong's Industrial Village is to push Hong Kong's industry toward a high level of technical development, and the director of the company, Miao Lixian [5379 4359 6343], indicated that although Industrial Village's approval standards are very strict, yet up to the third quarter of 1982, the amount of money invested in the New World Big Store Industrial Village, using the most conservative estimate, had reached approximately \$1.3 billion HK, and of this 30 percent came from overseas industrial circles.

Since the Hong Kong Government again restored the signing and issuing of bank licenses in May 1981, there have been 5 batches of licenses issued, and a total of 16 foreign investment banks have been issued licenses; of these, the United States and Japan each have 5, West Germany 2, and Holland, Canada, Italy and France 1 each. These 16 banks are all of worldwide scope and will have a great effect on the future development of Hong Kong's financial business. Up to October 1982, Hong Kong had 97 foreign investment banks, it must be considered that U.S. banks are the most, Japanese banks rank second, and Chinese, British and West German investment banks rank third, fourth, and fifth respectively.

Hong Kong Is an Area Which Is Most Able to Attract U.S. Investment

Among investments from abroad in Hong Kong, U.S. capital has all along occupied a position of the first importance. Up to the end of 1981, the amount of U.S. overseas direct private investment in Hong Kong has reached \$2,655 billion, and of this the manufacturing industry constituted \$470 million, the oil industry \$267 million, and finance, trade, transportation, communications and public utilities constituted \$1,917 billion. In Asia and the Pacific area, Hong Kong is the area which is most able to attract U.S. investment.

In February 1982, Hong Kong's Wanguo Baotong Bank announced that it would use \$500 million HK to establish a new headquarters in Tongluo Bay, the Wanguo Baotong Center, and in coordination with expansion of the bank's business, estimated that the center could be completed by the end of 1983.

Moreover, the largest U.S. stock market, the American Exchange, announced in May 1982 that it had bought 25 percent of Hong Kong's new Hongji Stock Co Ltd and 15 percent of the new Hongji Bank stock rights, and this enabled the American Exchange to become one of the major stockholders of the new stock and bank group.

Recently the U.S. Exxon Oil Corp made a huge investment in Hong Kong, and contracted with the cooperatively managed Qingshan Power Plant of the Zhonghua Electric Power Co Ltd for a period of years beyond 1997. In addition, under the present confused conditions of both the Hong Kong and world economy still being in a depression and the discussion about the problem of Hong Kong's future, large transnational enterprises such as the U.S. Dow Chemical Pacific Co Ltd and the Overseas Opportunity Co Ltd have continued to expand investments in Hong Kong, and this fully shows that U.S. investment enterprises are still very confident about Hong Kong's future.

British Investment Enterprises Continue to Plan Development In Hong Kong

The 150-year-old Yihe Co Ltd has recently reemphasized that Hong Kong is its base, and has continued to strengthen trade relations with China. Judging from Yihe's stockholder rights and interests, Hong Kong is still very important to the Yihe Co.

Appearing as an "excellent friend," the Hong Kong Real Estate Co Ltd bought 34.1 percent of the stock rights to the Hong Kong Telephone Co in January 1982 for HK \$1 billion. Then it also bought approximately 34 percent of the capital stock issued by the Hong Kong Electric Light Group Co Ltd.

During February 1982, Hong Kong Central District's "royal plot" which everyone had been eyeing, a piece of land of approximately 13,400 square meters located just west of the Kanglo Building, was independently purchased for HK \$4.755 billion by the Real Estate Co. In November 1982, the Hong Kong Real Estate Co and the Zhada Bank jointly announced that both sides had agreed in principle to cooperatively rebuild the Zhada Bank Building located on Defu Road. The reconstruction plan for this building will be carried out together with that for the adjoining Gunagdong Bank which the Real Estate Co has agreed to buy into. The total area of the combined territory is approximately 31,200 square feet, and it is estimated that the reconstruction project will be started in 1986.

In addition, the headquarters of the Hong Kong Huifeng Bank is being rebuilt, and is expected to be completed in 1985. The new building is 41 stories high, and the area which can be used for offices and banking is 770,000 square feet.

In November 1982, the world's biggest banknote-printing company, England's Thomas De La Rue and Co Ltd announced that it was building a factory on a 7,500 square meter piece of land in the New World Big Store Industrial Village which is expected to be able to begin production by the end of 1984, and will print paper money for the Huifeng and Zhada banks. It is reported that the investment in the new factory is approximately HK \$65 million, and that it will employ 200 staff members and workers.

Japanese Enterprises Continue To Be Lively In Hong Kong

In addition to U.S. and British enterprises, the scope of activity of Japanese enterprises in Hong Kong is very broad and appears very lively. According to investigations by the General Affairs Office of the Hong Kong-Japanese People's Commercial and Industrial Conference in July 1982, Japan had 854 enterprises

active in Hong Kong, including 106 financial businesses (banks, financial affairs companies, negotiable securities companies, insurance companies and renting companies) 147 commercial trade agencies, 380 manufacturing industries (of these, there were 82 with established factories), and 221 service industries.

Based on statistics from Japan's Ministry of Finance, from 1951 to 1981 a grand total of 1,841 Japanese enterprises had directly invested a total of \$1.424 billion in Hong Kong. And in the same period 26,511 Japanese enterprises had invested \$45.403 billion in all overseas areas. Of Japanese foreign investment, the number of enterprises investing in Hong Kong is fewer than the United States and ranks second, or 7 percent; the amount of money is less than the United States, India, Brazil, Australia and England, and ranks sixth.

A Japanese factory producing electric fans opened a new factory in the New World Village Gate area in November 1982, occupying an area of 1,950 square meters. This factory's name is the International Electric Fan Manufacturing Co Ltd, and is cooperatively organized by the Japanese Matsushita Precision Co Ltd and its parent company the Matsushita Electrical Equipment Co Ltd.

European and Southeast Asian Funds Are Still Being Invested in All Trades and Professions In Hong Kong

Although the amount of money invested in Hong Kong by European enterprises cannot be considered large, yet for a long time past they have actively participated in all Hong Kong trades and professions. At present, Hong Kong has approximately 210 West German companies and subsidiary companies, and their number is still increasing. Data from the Hamburg East Asian Society shows that the amount of new West German investment in Hong Kong during 1981 was DM 85 million, an increase of 34.1 percent of 1980's DM 63.4 million. Since 1952, the amount of West German investment in Hong Kong has reached DM 301.2 million, and Hong Kong is one of the Asian areas most able to attract West German investment.

Enterprises from several European countries, such as Switzerland, Holland, Denmark and France, have invested in Hong Kong over the years, and investment volume has steadily increased. Based on statistics published by the Hong Kong Government's Industrial Office on foreign capital invested in Hong Kong's industry, up to the end of December 1982, the amount of Swiss investment was over \$250 million HK, Holland's was \$189 million HK, Denmark's was \$160.6 million HK, and France's was \$75 million HK.

There is also investment in Hong Kong by enterprises from Southeast Asian countries, and based on statistics from the Hong Kong Government's Industrial Office, up to the end of December 1982, Singapore firms had invested \$124 million HK in Hong Kong's industry, Taiwan Province had invested \$96 million HK, and the Philippines and Thailand had invested \$50.6 million HK and \$39.1 million HK, respectively.

At the beginning of 1982, Taiwan Province's Qiaofu Real Estate Co Ltd had jointly invested \$3 billion HK with Hong Kong merchants, and had built a huge,

residential district and a club with 1,000 units in the New Territories' urban suburb. The joint investment plan of this Hong Kong-Taiwan real estate and construction business clearly shows that Taiwan Province business-people are certainly not worried about Hong Kong's leasing problems.

In February 1982, a South Korean bank used \$56.5 million HK to buy the U.S. Bank Center's whole 27-story Writing Building and an attached 5-story parking garage. In addition, Philippine investment in Hong Kong's financial activity has also clearly increased. At the beginning of 1981, there were 23 Hong Kong savings companies with the major capital being Philippine, an increase of 13 over that of 1978. During 1982 Philippine enterprises tended to increase participation in Hong Kong's financial business.

Hong Kong's Economy Will Continue To Advance

In summary, Hong Kong's present basic economic conditions and investment circumstances still have a definite appeal for foreign investors. For a period of time in the latter half of 1982, many people attributed the short-term unrest in financial and real estate circles to the lease problems. Actually, if economic conditions throughout the world are compared to Hong Kong's, it can definitely be shown that as to political and economic risk, Hong Kong is still in a relatively stable position.

In addition, oil companies from all countries which participated in China's South Sea Oilfield exploration and recovery bidding, submitted bids in August 1982 to our country's concerned organs, the results are scheduled to be announced at the beginning of 1983, and the actual recovery work will also begin immediately. Although our country has officially announced that the South Sea Oilfield's logistics base will not be in Hong Kong, many auxiliary projects and services can be carried out and handled there, and all foreign investment enterprises have shown a great interest in this. Thus when our country's South Sea Oilfield recovery work officially begins, it is significant that new and existing foreign investment enterprises will continue to increase investment in Hong Kong.

12/26/82

(no): 4006/641

CHINA FORCE BEHIND GROWTH OF HONG KONG'S TRADE

Guangzhou GANGAO JINGJI in Chinese No 1, Feb 83 pp 68-69

[Article translated from NANHUA ZAOBAO of 4 January 1983]

[Text] China's announced Sixth 5-Year Plan has allowed Hong Kong merchants to see a bright future for trade. This has enabled those optimistic estimates to be even more powerful.

China's interior economic development and Hong Kong's economic development help each other advance. This is reflected in trade statistics of both sides and in efforts of both governments in the last few years to promote the growth of trade.

A leader of local industrial and commercial circles, Sir Cadory said, "With the simultaneous growth of Hong Kong's economy and China's foreign trade, new fields of cooperation will also develop for both sides. This cooperation will not stop."

From 1978 to 1981, as to the China-Hong Kong trade growth rate, the average annual growth rate of Hong Kong's exports and transit trade to China's interior was 231 percent and 235 percent, respectively, and the average annual growth rate in the volume of imports from China's interior was 41 percent.

In respect to imports, China's interior is still the largest supplier of goods to Hong Kong's commodity markets, particularly of everyday foodstuffs. For the first 10 months of last year compared to the same period of the previous year, the needs of local markets for China's major imported foodstuffs still maintained a high growth rate of 13 percent.

Up to the end of last October, the volume of Hong Kong's needs for China's cloth materials had reached a high of \$898 million HK, a 31 percent increase; iron and steel needs had reached \$366 million HK, a 96 percent increase; meat product needs were \$272 million HK, a 39 percent increase; and the need for fresh agricultural produce had reached \$177 million HK, a 12 percent increase.

China is also the major supplier of raw and processed materials for Hong Kong's industry; for instance in textiles and fuels, of the total volume of consumption of this class of commodities in Hong Kong, it accounts for 31.4 percent and 22.6 percent, respectively.

cial factors are the major reason for Hong Kong's maintaining the growth of imports of China's commodities. A spokesman for China's Huarun Co said that, "The 5 million Hong Kong compatriots here have received the attention of the motherland. It is necessary to know that if Hong Kong's food supply could not be ensured for even 1 day, the price would immediately rise. The Hong Kong market is very important to China, and we do our best to ensure its normal food supply."

Geographical proximity is another factor in Hong Kong's continuous increase in buying goods from China. In recent years China's business organizations in Hong Kong, especially the China Bank, the Huarun Co, and the Commercial Recruiting Office have increased investments for equipment renewal.

For instance, in the ceremony for laying the foundation for its new general headquarters just built for China's Huarun Co in Wanzi, it was estimated that this 50-story building occupies 6,600 square meters, and China spent \$800 million HK for the land and construction.

China's Commercial Recruiting Office is also actively improving ship transport loading and unloading equipment along the Hong Kong coast, corresponding to this the Hong Kong Government has provided 10 new loading wharfs, and these wharfs have attracted 70 percent of China's foodstuffs which are transported to Hong Kong, including transit foods.

Fuels are products which local firms urgently need. Hong Kong bought gasoline from China for the first time in 1972. At present China-supplied gasoline constitutes 20 percent of Hong Kong's total consumption. The Zhonghua Electric Power Co just signed an official agreement with the China Coal Import-Export Co for a 10-year supply of Datong coal. The Hong Kong Electric Light Co is also planning to import Datong coal.

For the first 10 months of last year, although the United States was still Hong Kong's largest market in respect to imports, China's interior was the market which maintained the fastest growth. During these 10 months, the largest growth of local exports to China's interior was in textiles (total value was \$246 million HK, a 47 percent increase over the same period of the preceding year) and in telecommunication recording and duplicating equipment (total value was \$197 million HK, a 57 percent increase). Among Hong Kong's major overseas markets, China at present ranks fourth, its total imports have increased \$830 million HK, a 37 percent increase, and total value has reached 23.1 billion HK.

A Hong Kong University economics professor said that trade with China's interior is the essential force behind Hong Kong's export business. As long as China still carries out the "four modernizations" and still strives to develop foreign trade, Hong Kong will benefit.

"If there were no commercial intercourse with China, Hong Kong's export business could not have grown like this, especially under the conditions of the world economic recession prior to the third quarter of this year still not being over."

A Hong Kong China-watcher wrote that China's open door policy and economic development have opened up new channels for export of Hong Kong's products. She believes that it is worthwhile for local firms to engage in producing spare parts for heavy industrial service.

A lecturer in Hong Kong University's Department of Geography has pointed out that Hong Kong's intermediary role in China's foreign trade can be strengthened. China's Sixth 5-Year Plan will promote development of foreign trade, and under the conditions of a 4 percent increase in industrial and agricultural production, China's foreign trade will increase 8.9 percent.

But comparatively speaking, the development of China's domestic communications and transportation industry is relatively slow. For example, the loading capacity of ports in coastal cities has increased 3 percent a year, but railroad loading capacity has only increased 2 percent a year. Since in the past, 25 percent of China's import merchandise has passed through Hong Kong transit, but its communications and transportation conditions have improved rather slowly, it seems that Hong Kong has hopes to have a greater influence on transit trade.

Industrial cooperation between the two sides, i.e., China and Hong Kong, has also achieved rapid development. As Sir Cadory has said, "Hong Kong is China's free trade zone. Due to its widespread international contacts, it can apply its ability in finance and technology for China's use.

"Free conversion of Hong Kong currency is highly significant in relation to promoting trade for both sides, and is very necessary as basic currency for successfully carrying it out."

China's coastal oil development has also opened up new prospects for cooperation by both sides. Hong Kong companies can use their management experience in respect to logistics and supply, and benefit from China's oil development. Local shipyards will also expand their production capacity, including production of shipping for well-drilling platforms and other logistics. Shipyards such as European-Asian and Zhonghua are all planning to expand operations in this field.

Local industrial and commercial circles are striving to develop cooperation with China's interior. Hong Kong firms have jointly advanced the hope that the China Bank will supply them with industrial credit. People are waiting for the report from the Chinese side, and analysts believe that this is a major step taken by local firms in respect to cooperation by both sides.

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CSO: 4006/681

HONG KONG'S EXPERIENCING OF MASSIVE CAPITAL FLIGHT QUESTIONED

Guangzhou GANGAO JINGJI in Chinese No 2, Apr 83 p 28

[Article by Ji Shi [1015 4258] posted from Hong Kong on 22 March 1982]

[Text] While China and England are still discussing and looking ahead to the problem of Hong Kong's future, many countries and areas are all hoping to seize the opportunity to attract a share of Hong Kong's capital. The Philippines, Singapore, Thailand, Taiwan Province, the Solomon Islands, Australia, the United States, Canada and Asia and European countries have all beckoned to Hong Kong's investors. Along with this, there has been a continuous propagandistic atmosphere directly or indirectly showing that Hong Kong is experiencing massive capital flight. This 12 March, England's ECONOMIC SCHOLAR weekly magazine exaggerated things even more by printing an article indicating that when plans for Hong Kong's economic prosperity and stability seem to be unachievable, a sharp economic collapse will appear, investments will continuously decrease, and there will be capital flight. In addition, the LOS ANGELES DAILY NEWS further threatened that according to indications by bankers, stock economists and figures in business circles, Hong Kong is experiencing a daily increase of capital flight, and estimated that in the past 3 years, there has been \$6 billion of capital flight.

As to the problem of Hong Kong's capital flight, this January the Hong Kong-British Department of Financial Affairs clearly pointed out on a public occasion that if anyone tried to infer from our quoted figures that Hong Kong had experienced capital flight, it would like to explain that recent financial statistics show that Hong Kong currency savings have maintained a stable level of approximately HK \$134 billion.

According to the latest financial statistics published by the Hong Kong Statistics Office, by the end of November 1982, Hong Kong currency savings in Hong Kong banks and savings companies had reached a total of HK \$133.536 billion, a HK \$2.535 billion or 1.94 percent increase over the same period of the preceeding year. Also by the end of December 1980, the volume of Hong Kong currency savings was \$111.125 billion yuan. From these figures, it can be shown that within the past 2 years, the amount of Hong Kong yuan savings has been fairly stable, and there has even been a slight increase.

Since there is no foreign-exchange control in Hong Kong, and foreign exchange can freely flow in and out, therefore Hong Kong and England do not have saving statistics for Hong Kong's local and nonlocal citizens. If one wants to find out exactly how much capital flows in or out of Hong Kong, it can be said that it is virtually impossible. At present, the only possible index to inadequately measure the direction of Hong Kong's capital is Hong Kong currency savings, and from the latest existing Hong Kong currency savings figures, it has been shown that Hong Kong is certainly not experiencing massive capital flight.

Hong Kong's ECONOMIC REPORT is their accumulative index volumes numbers 1792, 1793, 1794, 1796 and 1800, published reports and analyses on Hong Kong's foreign capital trends. Summing up the views of entrepreneurs on Hong Kong's foreign capital, they still had faith in Hong Kong's economic development, principally because Hong Kong still had many advantages such as a low tax rate, a free flow of foreign exchange, free trade, convenient and prompt communications and transportation, advanced international communications equipment, industrious skilled workers, relatively little interference from the authorities, and the huge Chinese market behind it.

The latest statistics from Hong Kong's Industrial Office show that by the end of 1982, Hong Kong's manufacturing industry had 486 foreign-capital factories, an increase of 44 over the same period of the preceeding year, and the amount of investment was HK \$7.563 billion, an increase of 7.68 percent over the preceeding year's HK \$7.023 billion. During the period of the world's economic depression, foreign investment enterprises still invested in Hong Kong's manufacturing industry, and this fully shows the superiority of the investment environment of Hong Kong's facilities over that of many other countries.

In addition, Hong Kong's financial business has developed unusually fast for the last several years, and at present it is gradually becoming the world's third international financial center. During 1982, eight large-scale international banks opened in Hong Kong. Statistics show that by the end of 1982, Hong Kong had 132 licensed banks.

In all fairness, Hong Kong has always been a place where it has been easy to make money, and, therefore, it could attract continued investment by foreign countries and local Hong Kong investors. Even though the Hong Kong problem is still being discussed, yet to the present we still cannot find evidence to cause the masses to completely accept arguments supporting a massive flight of Hong Kong's capital. On the contrary, many foreign investment enterprises have recently still shown interest in investing in Hong Kong!

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